Agriculture

An old Southland identity quietly disappears

THE removal of the Invercargill stock and station agency, J E Watson and Company, from Stock Exchange listing, marks the end of a surprisingly quiet takeover.

When word was first publicly received of a takeover bid for Watsons by a then anonymous bidder, a great battle was expected in Southland.

Eyebrows were raised even higher when the bidder turned out to be Arthur Yates and Company, which soon afterwards changed its name to the Yates Corporation.

Within a week, the Watsons board was publicly notifying its shareholders that directors accepted the bid, which took the form of one fully-paid $1 ordinary share and 20 cents in cash for every fully-paid $1 ordinary share in Watsons.

Five Yates shares and six cents in cash were offered for every six Watsons specified preference shares.

There were 1,250,930 ordinary shares and 300,000 preference shares.

Watsons has been a dominant business force in the deep south since the 1980s; its interests extend from liquor to travel. It is recognised for its stock and station work and, more recently, it has promoted large forestry ventures.

For the past few decades, it has been led by Sir Alan Gilkison, whose family has had associations with the company since its formation.

As chairman of Southland Frozen Meat Ltd, Sir Alan led that company's takeover battles for South Otago Freezing Company and New Zealand Refrigerating in the 1970s.

That was probably the major reason why many in the south expected a battle when news of the takeover became public. But, it became obvious within a few days that Yates had done its homework, and the ground had been well tested before the news was released.

Negotiations proved amicable and Yates confidently announced it was seeking 90 per cent acceptance, although it retained the right of declare the offer unconditional on more than 51 per cent acceptance.

There was some talk of possible further bids, and Dalgety New Zealand Ltd made some inquiries. Dalgety's and Watsons are partners in a large wool-broking company in Southland. But they also announced within a few days that there would be no counter-bid.

At the time, the Watsons share price was about $2.60. Within a day, the price had shot up to $3.80.

Late in February, 30 shareholders representing 0.8 per cent and one holding 15.8 per cent were still holding out. But they proved to be only a slight problem, and last month, the firm of J E Watson disappeared from Stock Exchange listings.

The "trad" Watson image . . . gone forever.

In March, Sir Alan Gilkison resigned, and each board — Watsons will remain autonomous — will share a director.

Both companies are solidly based in agriculture and horticulture, and one of Yates subsidiaries, Hauraki Peat Ltd, will become a large industry in Southland with a peat moss proposal.

The Auckland-based seed and grain merchandising company has seen other opportunities in the rich soil of Southland, and an involvement with a well-known local business will be a distinct advantage.

In 1978, the large United States seed company, Pioneer Hi-Bred International, bought shares in Yates.

The Southland company no doubt sees advantages in a broader financial base, although both companies produced strong results in the latest annual reports.

Both have committed policies for further growth, and since the takeover, Watsons has taken over the Honda motorcycle franchise in Southland.

Watsons' removal left only one Southland company — Southland Frozen Meat Ltd — listed on the Stock Exchange. But, on May 4, exchange listing was granted Foveaux Radio Ltd, Invercargill's first private radio station, which started broadcasting on [illegible]

"No, son. We're one of the yacht people."

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

80 cents

Inside

'Shoestring' coal research worth extra $600 million

by Allan Parker

A "half-a-shoestring" research programme has added at least $600 million to the value of a West Coast coal field — despite a reduced Government grant for the scientists.

The Coal Research Association (CRA) has developed a new process to use high-quality Stockton coal for making carbon anodes to be used in aluminium smelter production.

NBR understands that the researchers had to overcome official apathy and a political commitment to bulk export of the coal resource to prove the resource.

Only in the last month, according to an industry source, has the Ministry of Energy begun to show any great enthusiasm for the project and its prospects for commercial exploitation.

And the Mines Department has remained largely interested in shipping the resource in bulk to Japan — "a shocking waste", he said.

But Fletcher Aluminium Ltd has described the potential for the coal-based anodes — it takes half a tonne of carbon to produce one tonne of aluminium — as "encouraging".

The Aramoana smelter proponents have taken research chemist Alistair Sheat to Switzerland to discuss the process with smelter partners Alusuisse.

The Coal Research Association — funded roughly 50/50 by the coal industry and Government grants — has developed the process "in a year of financial constraint" brought about by a $50,000 reduction in its Government grant.

Because 75 per cent of its running costs pay for staff wages and salaries, the cut has seriously affected its research programme capability.

The scientists even adapted a cheese press for one part of the operation. Says CRA director Peter Toynbee: "The fact that the research was carried out on half-a-shoestring makes the achievement all the more laudable.

"The Coal Research Association is justly proud of the breakthrough which has demonstrated that our indigenous coal can be used for anode-carbon production to reduce overseas expenditure on the petroleum coke normally used on aluminium smelters, to reduce the price of the carbon to the process and to ensure the best utilisation of this resource."

Toynbee "conservatively" estimates the ex-mine added value of the coal at some $20 a tonne more than the current $30 a tonne. But its value as a substitute for imported petroleum coke, now selling for about $180 a tonne, makes it even more important.

There is enough coal in the Stockton field to provide carbon anodes for both aluminium smelters — Aramoana and the extended Tiwai Point — for just under 100 years.

Page 12: The cheese-press process and how it works.

Handout doesn't solve basic Karioi problem

by Rae Mazengarb

THE $15 million life line tossed to the near-crippled Winston-Samsung company seems unlikely to solve the problem of grave shortages of good pulping timber.

One forestry expert, involved with the Karioi mill project at its inception, said he was astonished at the Government's attempt to bale out the company.

"It's like throwing booze into the brine," he said; it would merely postpone the inevitable.

The inherent problems — such as wood supplies — could not be solved, he insisted.

The company's public stance is that the mill is well located. Privately, company executives should be worried.

Timber is being supplied from as far away as Coromandel and Masterton, incurring phenomenal transport costs.

Winstones managing director Brian Bamfield admitted timber supplies had been a problem but said the company had lately been rationalising supplies to minimise transport costs.

Last Tuesday, Winstones representatives met Forest Service officials to discuss the possibility of taking further wood supplies from the Karioi Forest.

The deputy director-general of the department, Andy Kirkland, said the company was interested in a variety of "minor species" — small, but mature trees.

Details of the quantities required were not given. But the company had "flagged its interest" and the Forest Service would be looking at the availability of trees in the area, Kirkland said.

The Forest Service itself is short of mature trees — and will be until the 1990s. *NBR* sources said there was nothing of quality available near the mill, unless trees were harvested early, at great cost in terms of future opportunity value.

Even if the pattern of harvesting were speeded up in the Karioi Forest, good pulping timbers do not grow well there, forestry experts claim.

Asked if the Government had pressured the Forest Service to find further wood supplies, Kirkland said the discussions — held directly between the company and the department — had nothing to do with the Government's finanical package.

The time required for a decision to be made on the supply question depended on how confident the service was about its resource data.

Kirkland said he believed it was fairly up to date, but that it might require more checking.

He said Winsone's tender for initial sales was a good price, but what the company would be prepared to pay for additional suplies was a matter of speculation.

The Government announced its $15 million solution to Winstone-Samsung's ailment as a package.

The Government funds take the form of $10 million in preference shares with a 14 per cent dividend. The balance will be provided as a $5 million loan at a 14 per cent interest rate, with interest to be capitalised for the first three years.

A substantial proportion of the funds will be used to reduce offshore borrowings, which currently stand at $22 million, Bamfield said.

The rest would be put toward plant additions to improve uniformity of mill output, and the installation of bark-burning equipment to replace oil-fired heating machinery, he said.

It was hoped the mill could completely remove the need for oil within two years.

Sources close to the company say the Government package is basically a refinancing operation, and it hasn't changed the operating character of the plant.

Bamfield conceded that negotiations with the Government on the input side — such as power — had drawn a blank.

But according to our sources, the company's cash flow situation should improve substantially, because of deferment of interest associated with the package.

Halving the overseas loan should improve the situation, but Winstones may be required to put additional equity into Winstone-Samsung in the future.

Bamfield would not talk figures but he told *NBR* the overseas loan had been costing the company a lot of money.

Continued on Page 16

FCL embarrassed by premature sellout to PPCS

by Klaus Sorensen

TWO Fletcher Challenge nominee companies sold their Canterbury Frozen Meat shares in the Primary Producers Co-operative Society — a week before the country's largest company entered the sharemarket to buy 10 per cent of the CFM.

And to add insult to injury, two financiers associated with Fletcher Challenge have offered PPCS money.

Fletcher Challenge is considerably embarrassed that Broadlands Nominees and Fletcher Superannuation Nominees were among the first acceptors of the PPCS offer — particularly as it casts doubts on the Fletcher Challenge assertion that it had been considering an investment in CFM for some months.

PPCS chief Ian Jenkinson confirmed that the two Fletcher Challenge nominee companies had sold out to PPCS. He told *NBR* his group was "astonished" when it read the list of sellers.

He said the two names appeared "much to our surprise — especially since Wrightson NMA said it had been looking at CFM for some months".

He said the two nominees were controlled by trustees independently of the main company's activities, "but we were astonished that Fletcher Challenge hadn't spoken to the trustees and warned them that something could happen with CFM.

"But we were further astonished that the holdings sold at the market price, ($3.60), when days later Fletcher Challenge was in the market buying at $4.05 a share."

NBR questioned Jenkinson about how the Co-op had financed its latest $4.2 million share raid on CFM. "Well, some people said we went to the Arabs, others claimed we had approached Wellington companies."

But PPCS had, in fact, received offers of finance from a number of sources; "both Marac (51 per cent owned by Fletcher Challenge) and Broadlands (wholly owned) offered us money — we've been talking finance with them in the last few weeks", he said.

And did PPCS accept the offers? — "We gave them our grateful thanks and declined", said Jenkinson.

Fletcher Challenge's rural and trading sector chief executive Ian Donald, admitted the sales of the shares "could well have happened".

He said the Fletcher Superannuation fund was administered separately and decisions to buy or sell were made independently of the main company but then admitted that the Fletcher shares in CFM might have been sold. "I think before we could communicate with them, they had been collared by Jardens" (the PPCS broker), he said.

He said the 10 per cent stake bought by his company would be held in a "wait and see" stance. "We're taking a strategic stake until the dust settles."

But he hoped a solution could be found, and agreement reached, between the parties. "Hopefully it will be an amicable solution so we can all work together, we've got no desire to get offside with either CFM or PPCS."

Donald said that, in fact, Wrightson NMA draughted a lot of stock for PPCS, though he admitted his company was a "little nervous" about the Co-op's intentions.

Jenkinson also confirmed [to] *NBR* that the entrepreneurial Christchurch investor H [&] Smith Ltd — which is really Bruce Judge and Paul Co[llins], two former Brierley executives — was acting as adviser to PPCS.

He said his group and H[&] Smith had been having discussions "on a number of matters since August 1980".

Jenkinson said the two had close business associations "we like working with the best people in the business".

CER still kept 'just ticking over'

by Colin James

PROGRESS — but not much. That was the outcome of last week's huffing and puffing on CER (the closer economic relationship with Australia).

At least it is now clear to officials that Prime Minister Robert Muldoon and Australian Deputy Prime Minister Doug Anthony want CER to go ahead.

Equally clear is Muldoon's preference for holding fire until the election is out of the way. The progress over the next nine months will be more stately than rushed.

In a sense, last week's talks did little more than get ministers up to the point officials had reached last December. Then a high degree of accord — at least on techniques — had been reached and some officials were saying it was not much more than getting the two prime ministers to sign on the dotted line.

But where officials saw solutions, prime ministers and their cabinets — each with the different vested interests behind them — saw difficulties. The March meeting of permanent heads had a markedly different, and nationalistic, tone to them.

Last week's meeting did not clear away obstacles. A few fringe matters were cleared up. The intermediate goods and Government purchasing issues had already been more or less dealt with and a New Zealand delegation is going to Australia on the government purchasing issue this week.

The achievement, such as it was, last week, was that understanding of each other's points of view moved up from official level to (deputy) prime ministerial level.

There are indications that CER will get a more attentive hearing in the Australian Cabinet.

Now the officials go away to prepare yet more data for each other, still without definite negotiating parameters, but with, in the words of one observer, "some better feel for the limits" their political masters must live within.

The question, however, remains political. Is Australia willing to bend from its rigid insistence on a deadline for ending import licensing?

Will New Zealand relax demands for dairy access? New Zealand export incentives and its special protection for [...] are still also in contention.

Next up at the top level: Muldoon and Australian Prime Minister Malcolm Fraser [...] meet in September, but only as an adjunct to the Commonwealth prime ministers' meeting.

There will be no argument, it seems certain, before the election.

Will that matter? Even a change of government (to Labour) might not substantially affect the momentum. Since [...] Rowling's scornful call for a return to Nafta in March, [...] Hercus and Geoffrey Palmer have seen the issue at close quarters and there have been high-level briefings in Wellington of Opposition MPs.

Result: Labour, too, can now see merit in the idea.

The week in brief

SIXTEEN offshore oil exploration licences were granted to a mixture of foreign and domestic based companies. Petrocorp has taken an interest in 10.

FEDERATION of Labour president Jim Knox said a tax-wage deal with the Government was still possible.

But Knox ruled out any further discussion with the Government on amendments to picketing laws.

THE Government's dairy beef scheme will be scrapped next year.

CHRISTCHURCH Christian garage proprietor Eric Sides' campaign to employ sympathetic staff was barely a day old before Prime Minister Rob Muldoon gave his full support and the promise of a [...] review of the pertinent clauses in the Human Rights Act forbidding religious discrimination.

The week ahead

MONDAY: Mining and construction equipment catalogue exhibition, United States Embassy, Wellington, till Tuesday.

TUESDAY: Resources '81, the Institute of Food Science and Technology conference, Otago University, till Thursday.

WEDNESDAY: Quality conference, Central Institute of Technology, Upper Hutt, till Friday.

FRIDAY: Patrick Kirkness credit seminar, Wellington.

Islands 'subsidising NZ' trade, Fiji PM claims

by Rae Mazengarb

PACIFIC Island countries are being told to subsidise New Zealand's exports to the islands, Fijian Prime Minister Ratu Sir Kamisese Mara claims in a hard-hitting attack on Prime Minister Rob Muldoon and Pacific Forum Line chairman Harry Julian.

Mara maintains that the main beneficiary of PFL operations is New Zealand. The countries which the line was set up to help were not even being serviced, he says.

Yet there was "a deliberate and concerted attempt to coerce Fiji to adopt a position which... is clearly not in our national interest," he wrote in the *Fiji Sun.*

Fiji has refused to proceed with a formula agreed on by New Zealand and Australia to eliminate the PFL's debts, because Australia's contribution was to be countered by an equivalent drop in Pacific Island aid.

Fiji is being asked to divert $A825,000 in bilateral aid funds which Australia allocated to Fiji in 1980 for the years 1982/3.

For refusing the formula, Fiji has been accused of "buck-passing".

But Prime Minister Mara asked: "What justification can there be to divert from Fiji aid funds which had been freely offered to us, and which the Government has committed to development projects . . . to subsidise and promote New Zealand's exports to Papua New Guinea, given the statement by the chairman of PFL that . . . it is only on the PFL's New Zealand-Papua New Guinea run that losses are being incurred."

Mara said New Zealand had remained deliberately silent about who was benefiting from the PFL service.

He pointed out that those Pacific Island countries in the greatest need of regular shipping services — such as the Solomon Islands and Vanuatu — were not being serviced by the line.

As far back as 1972, Mara wrote, he had suggested a regional shipping line, as a start, to provide a feeder service to and from these smaller islands, and then link with a private commercial shipping service plying to and from New Zealand and Australia and on the major trans-Pacific routes.

"But. . . the PFL has decided to concentrate on those trunk routes which are already fairly well serviced by private commercial shipping."

Thus it had left out the very countries which it was set up to assist, he said.

Mara was also puzzled why the PFL had not sought financial help from institutions such as the Asian Development Bank.

He said Fiji had made it clear from the outset that its direct financial participation in the PFL would be limited to the $10,000 shareholding requirement.

There was never any unanimous agreement among Pacific Island countries that they would all divert aid money already allocated to them to the PFL, he said.

The Pacific's No 1 . . . for staff comfort

by Warren Berryman

AIR New Zealand will be trimming no fat from cabin-service operations when it gets its new Boeing 747s off the ground.

The Stewards and Stewardesses' Union has negotiated for 17 cabin crew to man all 747 flights, regardless of flight time or destination.

The airline has also given up nine economy passenger seats for crew rest seats.

Union Secretary Rick Merkin says that this is as good as, the best, if not the best, deal for flight crews in the world.

The union sent a team to the United States to check out other 747 operations.

When a union representative went aboard a Singapore Airlines 747 to ask about crew rest seats, he was told the crew did not take seats from paying passengers but used the fold-down jump seats (otherwise used for take-offs and landings) near the emergency exits.

Air NZ crew flying as passengers from one duty to the next will be allotted first-class seats.

On the Auckland-Los Angeles flight, each first-class seat taken up by a crew member costs the airline $1750 in passenger revenue.

Crew also get four days off to rest up after the flight.

The week

Insurance hitch likely over Begbie Place claims

by Lindsey Dawson

AS well as facing legal action by Begbie Place residents over damage caused to their homes by land subsidence, the Mt Albert Borough Council may have insurance problems.

The council may not be covered by special insurance set up in 1976 to protect it against negligence by local body employees.

All but one of the local bodies in New Zealand joined the scheme under Municipalities and Counties Co-operative Insurance companies.

The companies, whose claims are handled by the Monarch Insurance Company (part of the huge Hartford Insurance Company, which is owned by the multinational International Telephone and Telegraph) believes that the council is not covered for Begbie Place because it was built well before 1976.

The subdivision was put up by the now insolvent Sydney Construction in the mid-1960s on the site of a filled-in tip.

A legal judgment on the council's insurance position is expected shortly.

The Municipalities Insurance Company was set up in New Zealand after an English landmark case against Bognor Regis District Council which established that councils were liable in law for errors in planning and construction approved by its employees.

A similar judgment was made in New Zealand in the case of Hope v the Manukau City Council.

Since then the pressure on building inspectors has been heavy, and New Zealand's local bodies decided that there was a need for insurance protection against professional negligence.

NBR was told that local body officials well understand that there is no protection against pre-1976 claims.

"It's something we have to live with," said one. "We could be sued tomorrow for something that we approved back in the 1950s."

It is understood that there have been few claims on municipalities' insurance since the scheme has been in force.

Most claims have related to pre-1976 buildings and have mostly been concerned with construction problems.

The Begbie Place claims are more likely to revolve around whether the council's staff was negligent in approving the scheme plan.

Meanwhile, 11 actions against the council and Sydney Construction are waiting for a hearing in the High Court.

The "Fair Go" television programme has run two shows about Begbie Place and the problems of its residents, but a third was stopped from going to air when the council successfully sought an interim injunction to block screening on the grounds that it might place pressure on the council to settle claims out of court.

Davison creditors' payout 'no more than' 45c in $1

by Klaus Sorensen

THE Davison Construction Co Ltd — which went into voluntary liquidation 18 months ago — is to pay its first distribution to unsecured creditors.

But the statutory managers of the failed company believe the likely realisation for unsecured creditors will be significantly less than originally anticipated.

The managers are preparing to make an initial 15 cent payment each dollar owed, but they have warned creditors that they can expect "no more than" a total repayment of 45 cents in the dollar.

The two Barr Burgess and Stewart accountants, Denis Lane and Michael Hill were appointed as provisional liquidators by the Supreme Court in October 1979.

In their fourth report to creditors, dated May 8, they say they have had to revise their June 1980 prediction of a likely recovery for unsecured creditors of between 60 and 70 cents in the dollar owed.

"This estimate has now been reduced to not more than 45 cents in the dollar as a direct result of the factors experienced since that time."

A statement of the estimated net realisation as at March 31 1981 shows funds liable to be available to unsecured creditors is $1,039,642.

Total preferential and unsecured creditors appeared in the original statement of affairs, prepared by the directors in October 1979, at a total of $2,493,663. But additional claims received for rental guarantees, construction warranties and employee compensation payments have increased the total of all creditors to an estimated $2,947,837.

"After allowing for preferential creditors and liens unsecured creditors ranking against estimated available assets ($1,039,642) amounts to $2,421,519 — this gives rise to the estimate of 43 cents in the dollar available for eventual payment," say the statutory managers.

They explain that "the reduction in the amount expected to be available for unsecured creditors reflects not only the substantial increase in total creditors but also property realisations by subsidiary and associated companies at much lower prices than forecast in the statement of affairs.

"As a result the shares in Davison Properties Ltd are expected to produce $473,362 less than forecast and advances to Davison Group Ltd $160,000, against the original estimate of $642,667."

The statutory managers say in the letter that after making allowance for preferential claims not yet settled funds are available for an initial distribution to unsecured creditors of 15 cents in the dollar.

This news contrasts with the high hopes held out at the time of the collapse when the managing director of the group, J D Davison, said he was confident the company's debts could be more than covered, provided realistic values were obtained for the properties.

He said the company had held undeveloped commercial land worth about $5 million.

A statement of estimated net realisations shows that the deficiency on asset realisations as at March 31 1981 is $768,756 and that the difference between liabilities and the ability to pay them is $690,545, leading to a total deficiency of $1.5 million.

"Our orders are in good shape, but we've got a backlog of accounts receivable."

Skybus take-off with leased Viscount

by Lindsey Dawson

MATT Thompson is trying again. After months of aborted take-offs, Aqua Avia hopes to get airborne in August with a leased Vickers Viscount — the type of aircraft which used to be NAC's main-trunk work horse.

Short-haul operators in Europe are returning to turboprops to provide cheaper, if slower, services than jets provide, so Aqua Avia is following a trend in "wet leasing" the aircraft from British Air Ferries.

Air Ferries' manager, Mike Keegan, is an old acquaintance of Aqua Avia chief executive Thompson and used to be in partnership with Skytrain operator Freddy Laker.

Thompson has left for Britain to finalise arrangements with British Air Ferries, and will visit Evergreen International in the United States to continue negotiations over leasing DC8s for international routes.

Thompson says he needs no permission from the Air Services Licensing Authority to run flights because Skybus is exempted; its passengers will be aero club members.

A Ministry of Transport spokesman said that the ministry was looking closely at that claim.

If Skybus is free on that score, it still must satisfy safety and crew licensing requirements, which should not take long if all appropriate information is supplied by the society.

Skybus's basic fares are much cheaper than Air New Zealand's . . . $99 for Auckland-Wellington return, compared with Air NZ's $160.

But Air NZ has discount fares ranging from 10 per cent for group independent discounts up to 50 per cent for standby travel.

"We'll be offering discounts too," Thompson told *NBR*.

Air New Zealand is known to be keen to drop its loss-making provincial routes, and may then be in a position to cut main trunk fares.

But Air New Zealand executives will not be drawn on the likelihood of a price war if Skybus starts on main-trunk routes.

Thompson maintains that longer flight-times won't be a problem. "Auckland-Wellington in a 737 is 45 minutes. It's one hour 12 minutes in a Viscount. When you consider the time spent at airports at either end there's very little in it," he said.

Editorial

THE Labour Party last week made clear at its conference that — if it becomes the Government in November — Think Big is off. Above all, a Rowling Government will *Think Jobs and, if it can perform according* to promise, promote an economic policy that ploughs resources into a broad range of developments.

According to associate shadow Finance Minister David Caygill, a Labour Government would "carefully review the 'Think Big' projects, looking at their timing and at the alleged benefits. Projects that are not in the public interest will not be going ahead." Thus the voters are being provided with a clear choice — almost.

The snag for Labour is that it recognises there may be legal complications that prevent its scrapping National's projects, and it is hedging its bets on what it will do to the Muldoonian behemoths now on the planning boards.

So while party leader Bill Rowling asserted that the Think Big strategy must go, and specifically identified the ammonia urea plant, the Mobil gas-to-petrol plant and the second smelter, he went no further than warning that they "may" well be delayed, or even abandoned, in favour of job-creating projects "based more fully on our own skills and resources". Ann Hercus similarly did not promise that Labour would scrap the smelter, but she expressed herself forcefully against the project.

Obviously, there are political realities to be faced. The majority of the people around Dunedin clearly favour the smelter. The Dunedin business community certainly will be anxious to know what specific alternative developments for their city is contemplated, and how the growth opportunities compare *with those that are expected to stem from* the smelter. Thus local Labour MPs Brian MacDonell and Stan Rodger have been equivocal in their attitudes, and a handful of caucus members tend to favour the Think Big strategy. One smelter supporter is Bob Tizard; significantly, he is the party's shadow minister for energy and economic development. Mike Cullen, the party's candidate for St Kilda, in contrast has campaigned vigorously against the smelter, and the party membership generally opposes it.

Even more fundamental, Labour is bothered that the big projects might have already been propelled so far down the fast track that they cannot be stopped. The sanctity-of-contract question cannot be ignored, regardless of how Labour views the merits of specific schemes. Caygill last week acknowledged that the extent of taxpayers' obligations was a major point of concern — and the Government conveniently provided him with an illustration in the form of the $15 million bail-out for the Karioi project. As Caygill pointed out, Treasury officials had recommended that the Karioi project never be started, just as they are known to oppose the second smelter. Fletcher Challenge might now try to secure an indemnity from the Government on future changes in export incentives and exchange rates for the smelter, Caygill argued; this was the sort of fine print that would confront a Labour Government.

Nevertheless, the tenor of what Labour is saying is incompatible with development of the smelter. The Opposition's emphasis is on jobs. The Government's Think Big pro*gramme would create only* 12,000 jobs at its peak, and a permanent contribution of only 5000 jobs, Hercus claimed; but Labour's "balanced distribution of investment and resources" would create 50,000 jobs in agriculture, 60,000 in manufacturing, 25,000 in transport, 25,000 in construction and 17,000 in the service sector of both public and private enterprise. Labour strategists are known to have put a lot of work into their economic policy. How good that work is remains open to question, and Hercus' figures must be susceptible to the same critical examination as the Government's.

Without yet being able to examine the fine print, businessmen are promised a Labour trade and industry package consistent with the objective of job growth. It would provide employment incentives, particularly to small and medium businesses; a two-tier company tax system specifically aimed at helping small and medium enterprises; restructuring would be stopped and the IDC would work with management and unions to produce "workable and equitable industry development plans"; the DFC would become an important instrument for implementing Labour's policy, channelling investment into the smaller businesses that the party has pledged to support.

Above all, businessmen should be fascinated to find Labour on the side of competition. Labour has committed itself to supporting "a vigorous competitive business sector", and has expressed a determination to implement anti-monopoly and anti-price-fixing legislation.

But some explanations are called for. By abandoning the Government's restructuring programme, presumably Labour supports the concept of encouraging inefficient industries and giving them state assistance. And while the party recognises that in the long term we must have industries which are internationally competitive, its prior commitment to provide employment may incline a Labour Government to protect jobs and slow down attempts to foster competitive industries.

National is doing things the other way round, emphasising restructuring to make industry internationally competitive at the short-term expense of employment, and further aiming for export growth and export substitution not so much through competitive enterprise as through the big energy-based projects which will enjoy significant state subsidisation and are being given uncompromising political support.

Thus the alternative strategies have been spelled out in broad terms, but the viability of neither has been convincingly explained to the electorate. It is easy to bandy data in a bid to woo voters (specially if they are jobless), but if this election is to be fought on the merits of alternative development programmes, then the politicians must demonstrate exactly how their employment targets can be met and at what cost.

— Bob Edlin

Without word of a lie

Matter of (off) course

AIRLINE stories emerging in the wake of Mr Justice Mahon's Mt Erebus report make it plain you don't need the aid of a hijacker to wind up at the wrong destination. A misguided computer will do.

Take, for example, the Pan Am flight from Australia bound for Auckland that wound up in Wellington.

Or the Air New Zealand flight out of Auckland, bound for Honolulu, that went so far off course the Yanks mistook it for an invader and scrambled three Phantom jets to bring it back on to the flight path.

Trans-Tasman trade-off

THE officials and politicians who are grappling with the problems of CER at least seem to be setting an example to the business community by encouraging the free flow of leaked information across the Tasman.

Our Rob has already drawn attention to leaks from the Australians by accusing Malcolm Fraser's press secretary of prematurely releasing information in a way that has resulted in the unfortunate idea that the two Prime Ministers don't like each other too much.

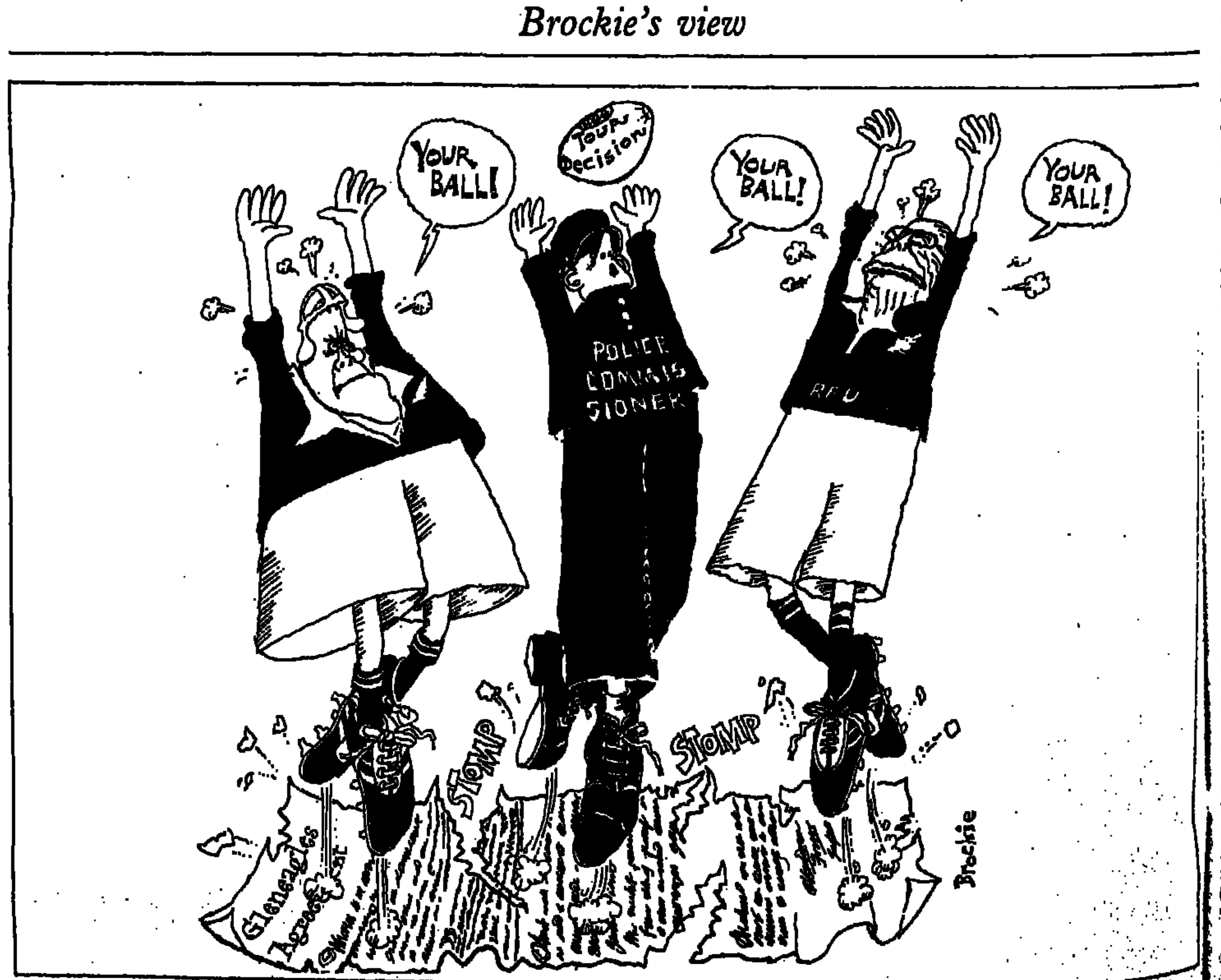
Muldoon says the notion that he and Fraser are at loggerheads has been a great newspaper story since 1977. Any speculation that the two men do not get along is untrue, he insists — but he says of Fraser's press office: "They have a bad habit of trying to big-note their Prime Minister by putting down other leaders. It doesn't help Malcolm."

It's nice to know that there is a reciprocal information flow, evident in the appropriately named, Wellington-based newsletter *Transtasman* which published an item about an exchange of letters between Australian Foreign Minister Anthony Street and Foreign Minister Brian Talboys on the passports issue. Street apparently proposed discussions with Talboys on passports; Muldoon wrote back, rejecting the concept, and that fact became public in *Transtasman* — obviously through a leak (unless Our Rob has become curiously lax in the office security department).

You might recall that Street's visit here a few weeks ago was called off thanks to more leaks — this time in Australia — that the purpose of his visit was to try to convince our Government it should step in to stop the Springbok tour. But we are reliably informed that Street primarily wanted to raise the Australian plan to introduce passports for trans-Tasman travel. The Australians — anxious not to create too much fuss — wanted to talk through the passport issue and agree on a position with New Zealand officials before making a joint public statement. They regarded the issue as so delicate that their proposals were kept surprisingly tightly under wraps in Canberra, where leaks to the media are embarrassingly common.

But our Government effectively snubbed Street by postponing the visit on the eve of its announcement, and Street was known to be extremely angry about the cancellation. The leak to *Transtasman* further aggravated the situation and helped wreck the Aussies' efforts to go softly-softly in announcing the new trans-Tasman travel regime.

Brockie's view



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Fast track: basic rights spun off to the sidelines

by Susette Goldsmith

WHAT ever happened to the National Development Act? The controversy which accompanied its graduation from bill to act suggested that it might become a perennial target for protest, but little has been heard of it since. Were the grim warnings that the fast track procedure would prove to be totally undemocratic just so much hot air?

In fact, the Act is very much alive and well and has recently been flexing some bureaucratic muscle in Taranaki. The first application for planning consent was put before the Planning Tribunal early this year and the tribunal's recommendations were released in April.

The application made by Petralgas Chemicals NZ Ltd, was to build a 1200 tonne-a-day methanol plant in the Waitara Valley near New Plymouth. The hearing took just three weeks and the tribunal's report followed a month later. The report recommended that the plant proceed and made few suggestions for change.

The only significant modification to the original proposal — the decision to discharge wastes through the local sewer system rather than directly into the nearby river — was made during the hearing by Petralgas itself when it realised the Tribunal clearly opted for use of existing services.

After an enthusiastic start to the hearing, when the New Plymouth courthouse was packed with participants and spectators, interest waned rapidly as the red tape began to unravel. Grumbles of "an expensive charade" and "just a costly rubber stamp" abounded and only the stalwarts remained at the end of the sitting.

From the beginning, the eight private organisations making submissions found the going rough. Lumped together by the tribunal as "the environmental groups", they represented local Maoris, environmentalists, Values Party members, Federated Farmers and three national organisations — the Royal Forest and Bird Society, the Soil Association of New Zealand and the Environmental and Conservation Organisation.

They were seated in the jury box and five of them were directed to combine for a single cross-examination as their concerns were similar and the measure would save time. One notable difference between this group and the local bodies and Government departments also making submissions, was the fact that the latter were represented by legal counsel.

The lawyers, as behove their status, sat in the main part of the courtroom and were invited to cross-examine and present their submissions first.

On the second day of the hearing, the tribunal ruled that one of the parties present to make submissions had no right to be heard. The man was found to have no status because he lived 145 km from the proposed site and would not be affected by the work "to any degree greater than or in any manner different from the degree or manner in which the general public would be affected".

This announcement provoked a flurry of debate locally on democratic rights. The Act defines those with a right to be heard as "any body or person affected by the proposed work" and "any body or person representing some relevant aspect of the public interest", so what was the tribunal on about?

The chairman, District Judge A R Turner, replied firmly that there was no such thing as "a basic democratic right" to make a submission. "If Parliament had intended that there would be a general right of objection by the public to do anything, it would have said that any person or body may object. But that is not what Parliament has said." End of round one.

As the hearing progressed it became painfully obvious that many of the parties involved (including Petralgas) had found insufficient time to organise their cases. (The application was referred to the tribunal in August, 1980 and the hearing began in February, 1981. Petralgas sought consents to its application under seven acts, formalities which, without the fast track procedure, could previously be expected to take about 12 months.)

Discussions between lawyers were continually held outside the tribunal hours and every day brought additional reports and alterations to an already staggering quantity of written evidence. This meant that the parties without lawyers had to turn up every day to note the changes and check that the order for submissions had not been altered.

Obviously there were many advantages to be had in employing a lawyer. One group was told, "You have a good case there, but for goodness' sake, get a lawyer." And there's the rub. Having already paid for the obligatory printing of 40 copies of their written evidence, some of the environmental groups found there was not much left in kitty.

Several of the groups' representatives had been forced to take leave without pay to be present at the three-week hearing. At the same time, they felt they were sponsoring, through their taxes, the very organisation they were there to oppose — Government-owned Petrocorp is part-owner of the methanol plant.

While the environmental groups continued to go through the motions of presenting submissions, their attempts were swamped by legalese. Time and time again, they were told that their requests were beyond the realm of the tribunal.

The proposed use of chromates was a case in t. The issue was raised not only by the environmental groups but also by the Commissioner for the Environment who saw it as potentially dangerous. At the beginning of the hearing, it seemed the Director of Health (whose consent was sought under the Clean Air Act) was of a like mind in recommending that "any less toxic alternatives to the proposed chromate rust inhibitor which are discovered, must be adopted by the applicant."

But they have already been discovered. A representative of the New Zealand Synthetic Fuels Corporation was asked by the tribunal to describe the non-chromate alternatives his firm was planning to use at its proposed synthetic petrol plant nearby.

No matter. At the end of the hearing, the Health Department recommendation had mysteriously changed to "If less toxic alternatives to the proposed chromate rust inhibitors are discovered, then the Department of Health may require their adoption by the applicant."

And to really rub salt into environmental wounds, the tribunal concluded, "There are less toxic inhibitors. But . . . in the circumstances it is not for the tribunal to recommend that chromate inhibitors be prohibited." The response is so predictable that it hardly need be recorded — whose duty is it then?

A similar curt dismissal followed a suggestion that New Zealand's resources could be used much more wisely if as much as possible of the complex was constructed in this country thereby providing more employment and spending power. (The environmental impact report on the proposal estimated that the capital cost of the plant would be $130 million to $140 million, of which up to 30 per cent could be spent on New Zealand goods and services.)

The tribunal stated blandly that it was not its task to determine whether or not the proposal to use Maui gas was a "wise use and management of New Zealand's resources" and a matter of "national importance" as quoted in the Town and Country Planning Act.

That Act, the tribunal ruled, "creates control over the use of raw materials and resources generally once they have been won from the land. Planning schemes must be drawn up in a way which (inter alia) will allow the general resources of the district or region to be used and managed wisely. But the powers conferred by the Town and Country Planning Act cannot be used to direct how resources shall be used once they are no longer part of 'real property' . . .". So ended round two.

Small wonder that many of the parties presenting submissions saw the exercise as futile. If they couldn't argue the proper use of the country's resources at a planning tribunal, where could they? The answer came from Judge Turner. The *place to* debate it, he said, was central government.

That may be sound advice especially in an election year and coming from as near to the top as it does, it is worthy of careful consideration. But it is easier said than followed if you are an ordinary sort of New Zealander inexperienced in debate and lobbying and short on funds.

So, on to the next round. As present, once an application is made under the National Development Act, it is up to the Minister of National Development to decide whether or not the fast track procedure should be applied. He must first ask the appropriate united or regional council's opinion but he is not bound by their recommendations and not obliged to hear submissions from any other parties.

A planning hearing held before a project is given the status of "national importance" where matters of local and national concern could not be ruled out of order might be a litte more democratic.

Susette Goldsmith is a Taranaki journalist who has specialised in covering the province's energy projects.

Values and Abortion

I HOPE readers raised their eyebrows when Colin James (*NBR*, April 27) talked of someone joining Values "an anti-abortion kick". Such an individual would, of course, have been seriously confused since Values has long been the only New Zealand political party which totally rejects state intervention in the abortion decision.

Very many Values Party members have worked long and hard to promote recognition of women's rights and to overcome the moralistic attempts to prevent women controlling their own fertility. Surveys after the last election showed that a high proportion of Values voters supported us because of our liberal attitude on this issue.

Strangely enough a survey by the anti-abortion group, SPUC, found that many people also voted for Social Credit under the mistaken belief that they were supporting liberal policies.

I am afraid that Social Credit which has no policy on women, and recently elected the first-ever woman on to its executive, could prove to have a disastrous effect on women's aspirations over the next decade.

Alan Wilkinson
Leader, N Z Values Party

Alan Wilkinson is right. Values has been the only party unequivocally on the pro-abortion, or, more correctly in today's jargon, pro-choice, side of the abortion debate. Colin James has never been in any doubt about that, but something intervened between his brain and his typing fingers and "pro" came out "anti".

A small quibble of our own, however. A number of women have served on the Social Credit Political League's executive, including Miss Mary King, who was president for a time 20 years ago.

— Editor

Legalised theft?

I SYMPATHISE with Alister Taylor and his problem with the General Assembly Library. Most publishers are concerned at the statutory requirement for them to lodge three copies of every book published with the General Assembly Library, though few, I suspect, begrudge the fact that the Alexander Turnbull Library receives one of them.

All of us are grateful for the existence of the Alexander Turnbull Library and for the work of the staff there. It is a literary resource which must be supported even though it is grossly understaffed and poorly housed.

But why should publishers be required to subsidise the Government by sending two more copies to the General Assembly Library? What other industry is called upon for a handout of that nature?

I appreciate that two copies is a very modest proportion of the majority of editions published. But why should we be required to lodge, without payment, any copies?

Does every manufacturer of nails have to send first edition nails somewhere? Does every manufacturer of toothbrushes have to supply first edition toothbrushes? And while we are on the subject of editions, publishers are required to lodge with the General Assembly Library three copies of *every* edition — not just the first!

This is a legalised form of theft and while it is not the fault of either the General Assembly Librarian or the Alexander Turnbull Librarian it is one more cost that has to be passed on to the consumer!

D J Heap
Managing Director
Past-President
Book Publishers
Association of New Zealand

Economics for all

COUNTRIES, cities, individuals and groups representing every sector of society complain about their economic plight. Inflation and unemployment get drummed every time. Your recent article introduced "supply-side" economics. It has some logic but it will doubtless not help any of the people complaining much.

Perhaps a reconsideration of the following premises may help:

Premise 1: *Man advances through his mental capacities.* Each advance results in a higher gearing of output to direct human effort input. As man always tries to advance, a large part of his time is spent endeavouring to continue the reduction of direct human involvement, that is to increase the degree of automation. The positive word for one result of this is efficiency, the negative word unemployment. So without compensatory changes he walks down the same road to reach both, and he is always walking that road.

Premise 2: *Man is born competitive.* Individually, nationally and in every self-recognised grouping. His aim therefore is to help his interests, broad and narrow, not everyone's. To work for a common goal he must have a shared or coincidental interest.

This attribute of man means that he generally likes to conquer and control; fortifies his interest with whatever strengths he can before combat; is prepared to use his power to punish those who flout his values; can be magnanimous provided no loss of control is involved; admires, not likes, the success of others; clearly sees a long-term improvement for everyone in schemes which favour his interests in the short-term; in situations of bias he remembers the principle of equality if he is of the lower, merit if he is of the higher; he harbours mistrust of others; he needs Christmas to remind him of "goodwill towards all others".

Premise 3: *There is no foolproof plan.* Absolute power to plot and control a country's economics must never be put in anybody's hands. A safeguarded degree of influence over change is the sensible amount of power to give a country's governing authority. Leaders are people who get tired, forget, change their minds, have favourites and do not like being criticised. They justify unjust deaths by reminding that everyone makes mistakes.

Premise 4: *To achieve change requires force.* For centuries sages have warned people not to take their leaders' respect for democracy for granted. We have watched the default power of government force new laws designed not to make us better but to make us more manageable.

Premise 5: *There are two economic resources: directly remunerated human involvement and indirectly remunerated human involvement.* Human involvement has value which may be stored in an unlimited number of ways. The development of these ways may be called economic progress. Modern civilisations reward those who tend to indirect involvement better that those who tend to direct involvement.

Premise 6: *The total requirement of all the people is the maximum size of the total market.* It may be increased by either more people or by people having a greater ability to satisfy their requirements.

Premise 7: *Inflation is not disliked the way it is lambasted.* The Government gains more than it loses, many businesses also manage to, and money lending rides on top of it. The problem of inflation is really that some are allowed to keep pace with it and some are not. The mechanism of inflation is such that the state is able to unabashedly use it to accelerate its growth.

Premise 8: *Commercial value is subjective*, a measure of human, the buyer's, satisfaction. There is little reason why it should resemble cost to produce. A major obstacle to economic clarity is the confused belief that it should be the result of a costing exercise. Buyers are happy if value is more than price paid regardless of whether profitable to the seller and vice versa. For example even taxpayers, who are obliged buyers, are happy if they perceive value for their payments.

Premise 9: *Politicians try to be appreciated, public servants are above such deference.* Dangerous words like "positive thinking" become tools of illusion encouraging politicians to concoct palliative mechanisms forgetting that their own privileged labour force and all other vested interests harbour insufficient sympathy to expedite any change not in their own interests. They all have to be fed first.

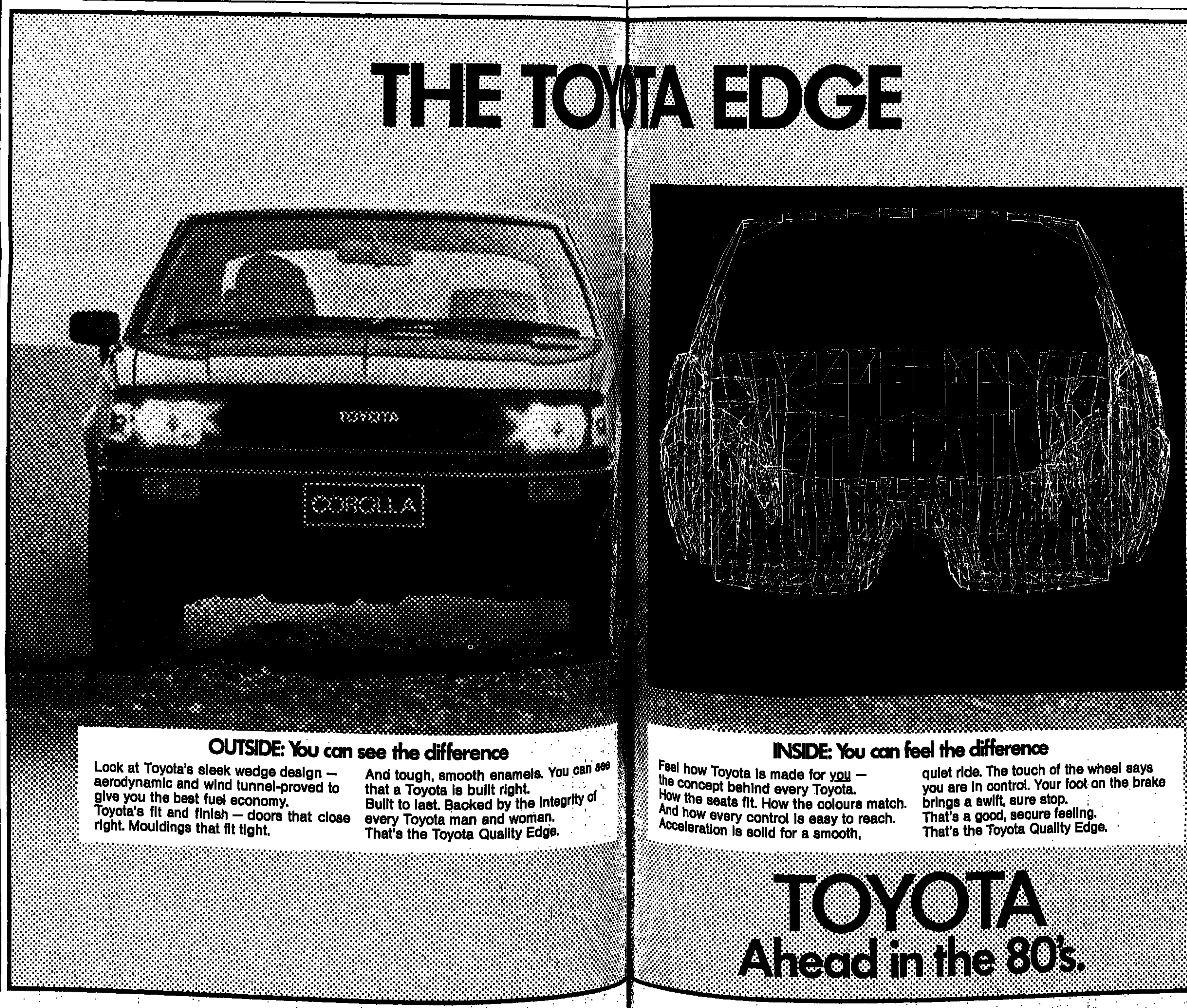
The failure of donated aid to reach the starving illustrates the problem faced.

A prediction based on these premises would go something like this: Man will continue striving for advance through further streamlining and automation regardless of government. The unstoppable attitudinal changes of all towards the bulk of society will be accommodated by all. A likely one is belief in a shorter working week.

This will be found beneficial in ways not yet widely recognised, the horror of inflation going wild because of it will prove to be another mistake of the experts. Politicians will realise more and more that their only effective weapon against the handicap of state bureaucracy is direct communication with the people, which will become increasingly easy.

People will become more politically aware as a result of more time and a more relevant education. Here's hoping so.

W A White
Invercargill



How the liberal-left won — or is that lost?

by Colin James

WHO said there was no difference between the National and Labour parties?

At their pre-conference Sunday meeting Labour women looked back with satisfaction on a turning point in the development of their role within the party.

It had to do with the discarding of the automatic deferential respect for the president (then Arthur Faulkner) who, like all presidents, used to tour the various groups who meet in the weekend before the full conference.

On one of these tours Faulkner apparently wished them happy Mothers Day — and got in return a frozen silence.

Earlier on the same day on which the Labour women nostalgically recalled this revolutionary event, a speaker at the National party's Wellington divisional conference had done the Mothers Day bit — and the *women* had clapped (and cheered).

Women in the National Party by and large still *serve*. In the Labour Party they demand, manoeuvre, manipulate and now are not too often crossed.

In short, women voters who think their role in society is the most important issue for the 1980s have a clear choice between styles and programmes — one which, as a new breed thrusts through the National Party, may not again be as visible.

National is eschewing a separate women's policy; Labour has one full of support measures designed to give women a choice as to whether they work or stay home. (Who pays? You do.)

There is also a clear choice in approaches to the management of economic development.

Inch by inch over the past two years the Labour leadership has put distance between itself and the proposed second aluminium smelter at Dunedin and the think big strategy it represents.

Leader Bill Rowling is still misting up the window a bit.

When he talked in his keynote speech of Government-backed projects, "such as the ammonia urea plant, the Mobil gas-to-petrol plant and the second smelter" he said they "may well be delayed, or even abandoned" — a phrase which annoyed some of the more vigorous anti-smelter delegates.

But the next ranking likely ministers in a Labour Government are in much less doubt.

Roger Douglas, now inappropriately moustachioed and newly back in the shadow cabinet with the industry portfolio, is implacably opposed to the smelter. Ann Hercus, who bid fair to get the job if Douglas had continued intransigent and who will act as a sort of unofficial auditor of Douglas's wilder ideas before they spill into the public arena, backs him.

The two of them did a duo on live television which implied a resolutely anti-smelter stand.

Both also looked as if they had at least tried to understand that it was a visual medium.

Douglas had a couple of amateurish clowns to ram home his message of smaller, resource-based industries, Hercus produced thoroughly professional charts to simplify (almost to a misleading degree) and reinforce her message that $2000 million spent on a smelter means 950 jobs and $120 million a year in exports but spent on agriculture would mean 50,000 jobs and $1800 million a year.

Russell Marshall . . . back in the leadership eye.

The difference over development is not cosmetic. It reaches much more deeply into the basic philosophical divergences between the parties.

National, I am told, will be flying the flag a lot in its coming election publicity, pushing a theme of national pride, growth and more freedom to the individual.

Labour will be on about jobs, jobs, jobs, prices and economic and social justice.

If you want a catchphrase: "opportunity" versus "security".

It is no accident that the theme developed for the conference was "Labour's road to security". Labour is attempting to touch the nerve of voter insecurity and unease that has fuelled the flirtation with Social Credit.

Canvassers in all parties are finding an undercurrent of fear — principally about jobs (who next? whose kids next?), but also about the hands on the levers of power (an unfettered Government, union conspiracies) and the ability of the established institutions, including the old parties, to restore social and economic stability.

So David Lange — the pariah of tea-room gossip at this conference for his December coup incompetence — led off down the road to security with the family.

In a well-prepared and at times impressively delivered speech (which helped neutralise some of the December acid) he eschewed the usual marshmallow and pinned the future of the family (however widely defined, and he allowed it must be wide) on its access to resources — food, shelter, education, the bureaucracy, health services and justice.

The cure: lots of Government intervention in the right places. All good social democratic stuff with which no one could disagree.

But then at this conference there was little enthusiasm for disagreement. All pre-election conferences are "united" whatever the splits, tensions, dogfights and off-floor backbiting — but this one was *united*.

I have never been to a more harmonious Labour conference (and I have been to nine now). There was nothing forced or strained about this year's unity.

The key lies in the now-clear dominance of the active Labour Party by the liberal-left. The minority radic-libs of the 1960s who fought bruising and usually losing battles over foreign affairs, abortion, homosexuality, the security services, sports contact with South Africa and other social, moral and "intellectual" issues have become the mellowed liberal-left majority.

And with the winning of the battles has come a measure of tolerance and generosity.

They could extend the hand of friendship to Lange, to renegade Douglas who has caused them much embarrassment with his libertarian economic ideas, to conservative Dan Duggan who retained the junior vice-presidency with union block-vote solidarity (unusual these days) against their wishes.

They showed their social-moral political orientation in their relative uninterest in economic issues and their reserving of their loudest and most spontaneous reaction for the Springbok tour.

They showed their dominance in their easy win on a remit insisting discrimination on grounds of sexual orientation (by which they meant homosexuality) should be outlawed.

And they showed middle-class knee-jerk sympathy with the working class by shouting down a delegate who dared to question the Mangere picketers and their sympathy-strikers.

And they didn't have to contend with young radic-libs of their own erstwhile ilk. Ominously for the future of the party, this conference was almost bereft of under-25s.

Up front, leader Bill Rowling looked for the first time to possess authority and confidence. This found its way into his address, which continued his recent trend towards a much tighter style, less cliched presentation and more meaty and gut-issue oriented content.

And he was rewarded with a near-total absence of the usual snarky criticism from his enemies and the doubters. This time the ovations were genuine, in contrast with the willing-him-on quality of, say, the 1978 pre-election conference.

They know his faults, they warm to his doggedness and they know, post-December, there is no alternative yet.

In the vacuum, they are talking again of Russell Marshall who got a thunderous reception, the spontaneous intensity and warmth of which I don't recall for any MP outside the leadership at any conference and which turned him bright red with delight and surprise. And they are looking beyond to Geoff Palmer and Hercus and David Caygill.

But amid all this harmonious goodwill there was a spectre: Social Credit.

The opposition New Democratic Party leader Dave Barrett, from British Columbia, where Social Credit is in power, gave them a homily about life "under the Tories" there. Labour and the social democratic NDP have been closely in touch over the past few months.

For Labour here Social Credit represents the raidability of its working class constituency, freely and glumly acknowledged by some union leaders at the conference. The liberal-left may be dominant in the active Labour Party, but it is not in the electorate at large.

Thus the battle may simply have been shifted from the conference floor to the wider world, the heartland of what used to be called the labour movement. Unity is all very well, but not if the direction is wrong and the numbers unified too few.

November will tell us.

Economics

New Zealand poverty: largely a family affair

by Brian Easton

WHEN a social scientist says there are more than half a million poor in New Zealand, he or she is not making some "off the cuff" pronouncement based upon a few casual observations.

Rather it is a systematic assessment using carefully developed concepts based on a review of all the available data.

For instance, the notion of poverty is the concept of "relative poverty". Throughout the Western world it is argued that it is not sufficient to ensure that members of affluent communities have only the bare essentials of subsistence.

In a social democracy the objective must be – in the words of our 1972 Royal Commission on Social Security – to "enable everyone to enjoy a standard of living much like the rest of the community and thus able to feel a sense of *participation in and belonging* to the community" (their italics).

Such an objective does not mean that the State must provide everyone with a State income – providing those who can work with a job is another means of pursuing the objective. But the objective does set a standard by which we can assess the extent of poverty.

One method of assessment would be to examine individual cases. For instance George Bryant's *The Widening Gap* records a number of households whose circumstances are such that one can conclude they cannot reasonably feel a sense of participation in and belonging to the community. But it is difficult to gauge how widespread is the incidence of such poverty.

A second approach is to set a poverty line and calculate the number who have incomes less than this.

The most popular poverty line in New Zealand is the Benefit Datum Line (BDL), which is the material standard of living of a couple on the basic social security benefit.

The current level is $110 a week, although the couple may be entitled to further assistance (national superannuation is $124.64 a week after tax).

The choice of the BDL is based on the argument that it cannot be less than the poverty line – otherwise we would be condemning beneficiaries to poverty. On the other hand we are unlikely to be so generous as to provide a benefit excessively above the poverty line.

A couple of studies indicate that those in receipt of benefits are close to the relative poverty line. The 1975 Survey of the Aged found beneficiaries who could afford meat only on fewer than four days a week, could not afford visits to doctors, and had to economise on visiting friends.

A more recent study of solo mothers by the Christchurch Child Development Study found domestic purposes beneficiaries suffering similar hardships.

Having established a poverty line for a couple, it becomes a matter of calculating on equivalent income for other household groups, and calculating the numbers of each type of household who have incomes below the appropriate level.

The widely quoted figure is that in 1974, 18 per cent of New Zealanders, or 550,000 people, were below the BDL or, as it is put crudely, "in poverty". I think it best to treat this as a "gee whiz" figure. If it were half or double we would still say "gee whiz!"

What is interesting to a social scientist is who are poor, the consequences of their poverty, and why are they poor?

In terms of the international literature, the answer to the first question is surprising. Overseas, the poor are usually the elderly, invalids, and solo parents. While they are among our poor, by far the largest group in New Zealand are families with children.

New Zealand appears to be much better at looking after the traditional poor than most other countries. Even our poverty among families differed in 1974 from the accepted pattern, with perhaps half the poor in few-children families.

Overseas experience concentrates on poverty among large families. A research finding of some social significance is that a much higher proportion of Maori families are likely to be below the poverty line – perhaps a Maori is three times as likely to be poor as average.

It appears that 40 years of the welfare state have not solved the Maori's economic problems. We might contrast this with another traditional poor, the Irish Catholic. Today the average income of Catholic head of households is much the same as the national average (and Anglicans and athiests).

Perhaps the most surprising economic finding is that many of the poor families are from households whose father earns an above-average wage.

Where this income is not supplemented by the mother's earnings, the cost of children and housing can push the high take-home pay down below the standard of living of a beneficiary.

Conversely, some low wage-earners are quite well off, where they are supplementing the family income, or where there are no children and the house is freehold.

Leaving aside the case study approach used by Bryant, and the studies of the elderly and solo mothers mentioned above, there is not a great deal of direct evidence on the social consequences of poverty.

But other studies, in the course of asking different questions, sometimes give useful information.

One conclusion which appears repeatedly is that those in acute poverty frequently forego approaching their doctor when sick, presumably because of the cost of transport and the practitioner's fee.

Other evidence associates poverty with loss of educational opportunity and with household demoralisation.

Marriage guidance counsellors have remarked that family finances are often a significant factor in marriage breakdowns.

The question of why people are poor is open-ended. If we are looking for policies to alleviate poverty, some of the answers are far from helpful.

For instance, it cannot be argued that wages are too low, since even if we were to ignore the inflationary impact of a hike in nominal wages, their effect would be across the board, benefiting poor and [illegible] households alike with little impact on relative poverty levels.

The [illegible] of high wage but poor [illegible]

Brian Easton has just published Social Policy and the Welfare State in New Zealand (Allen and Unwin $8.95). This article – the first of two – is based on a paper presented to the 1980 conference of the New Zealand Sociological Association. Next week: suggested solutions.

indicates the foolishness of assuming high wages are a solution to poverty.

This is not to deny that some marginal change in poverty numbers might occur with a change in the wage rate. Rather, it is to focus on the failure to develop adequate income redistribution mechanism.

While it is certainly true that we have done better than many countries in supporting the elderly, and other traditional beneficiaries, the redistribution mechanism where children are concerned has been inept.

In making these comparisons, it does not follow that New Zealand has a lower level of poverty than other countries. In recent years there has been limited investigation of international comparisons, using a standardised relative poverty level.

In comparison with the four countries for which data is available, New Zealand seems to have a higher level of relative poverty than Belgium, Britain, and Norway, but lower than Australia.

Over the last five years, the Government has recognised the problem of family poverty and modified the income tax system towards some families.

But its neglect of the real value of the family benefit, together with the falling real take-home pay meant that the level of poverty rose from 18 per cent of the population in 1973/74 to 22 per cent of the population in 1979/80 (for the same BDL).

There was actually a reduction in the level of poverty among the elderly as a consequence of the improved benefit for the elderly, and among small families as a consequence of the tax concessions. But poverty rose sharply among large families.

The rise from 18 to 22 per cent in our poverty proportion over a six-year period is another gee whiz figure. But the reasons are instructive. The real value of the family benefit fell in the six years by $2.25 a week (in 1979/80 dollars).

For a family of four this amounted to $11 a week. But this is after tax – at a marginal tax rate of 48 per cent, the family would need to take home an extra $21 a week to compensate for the fall in the family benefit.

Of course, most did not, and if they did not an extra six people would be pushed below the poverty line compared with six years earlier.

"My dad says that if it hadn't been for inflation, this would only be 1975."

Coal-to-carbon process worth millions to NZ

by Allan Parker

A coal-to-carbon cheese-press process developed by the Coal Research Association (see Page 1) has "conservatively" marked up the book value of the Stockton coal field from $870 million to $1450 million.

But, more importantly, a comparable quantity of carbon produced from the traditional petroleum coke would cost $5220 million.

Potential savings from the process are $3077 million.

As well, according to the Coal Research Association (CRA), the process developed by chemist Alistair Sheat (with a little help from a cheese-press) should not increase mining or exploration costs for the Stockton field.

The carbon anodes are vital for aluminium production. For every tonne of aluminium produced, nearly half a tonne of high-quality carbon in the form of anodes is consumed.

Each aluminium smelter pot line devours about 40,000 tonnes of this carbon a year. If the planned increase in aluminium production capacity in New Zealand goes ahead, there will be five pot lines in operation — three at Comalco's Tiwai Point and two at Aramoana.

Thus carbon demand by the smelters in this country alone would be 200,000 tonnes a year.

Normally, these anodes are manufactured from petroleum coke, an oil refinery product.

But the continuing increases in oil prices have also shot up the price of petroleum coke (now $180 a tonne). Combined with reduced quality and lack of long-term supply certainty, world-wide interest has been generated in new sources of anode carbon.

Coal is such a ready source. But when it is carbonised, mineral impurities remain, which leave an ash residue in the aluminium processing. The quantity of ash is normally higher than the level acceptable for aluminium anodes.

New Zealand coals contain less than 5 per cent ash, a low level by overseas standards.

But only the Stockton field contains coal which could possibly meet the 0.3 per cent ash-content requirement for anode carbon production. Ash levels between 0.15 and 1.00 per cent are, according to Coal Research Association director Peter Toynbee, "a source of wonderment" to overseas coal technologists.

The Stockton field, high on a rocky plateau above Granity, holds reserves of some 20 million tonnes of cheaply-won opencast coal. This coal is unusual in a number of respects: high rank, high swelling properties, high vitrinite content and, above all, remarkably low ash content.

In the past two decades, coal scientists have examined the possibility of manufacturing carbon anodes from the Stockton resource.

One of the features of Stockton coal is its tendency to swell during carbonisation. This produces a low-density, porous and physically-weak coke which is "utterly unacceptable" as carbon for anode production.

University of Canterbury scientists tried to modify the process and increase the strength and density of the coke.

But although improvements were made, the process was complicated and the resulting coke still did not reach the right density level.

As well, the technologists were only investigating coal from the Stockton No. 2 block, which was considered the only source with sufficient purity for anode carbon.

The reserves of No. 2 block coal were put at about 3.5 million tonnes and official opinion at that time estimated reserves of No. 2 block coal with less than 0.3 per cent ash at only 500,000 tonnes.

Says Toynbee: "Clearly, there was insufficient coal to generate serious interest on the part of the aluminium companies."

The investigations petered out.

But with increased interest in aluminium production and plans to export the Stockton coal, the Coal Research Association last year revived the investigations.

Chemist Alistair Sheat studied various conditions of carbonisation and developed a three-stage process in which carbon with a bulk density even higher than the anode carbon specification could be prepared.

According to Toynbee, each step of the process was simple — a low-temperature carbonisation under controlled conditions; a low-pressure, hot-briquetting process; and final calcining of the briquette thus formed.

To prove his theories, Sheat even adapted an old cheese-press for the hot-briquetting operation.

"The CRA is confident that each of the steps can be readily translated to commercial operation and the laboratory work has suggested the preferred choice of commercial equipment," says Toynbee.

Of even greater importance was concurrent work in processing the coal to reduce ash levels. In Europe and the United States, the coal is normally "washed" as it comes out of the mine to separate the low-ash, light-weight coal from the more impure resource.

Says Toynbee: "To a coal preparation expert it would not seem likely that a coal containing only 1 per cent ash (such as Stockton) could be upgraded even further.

"But in an inspired moment, Alistair Sheat tried it."

Sheat's experiments worked and even higher grade coal could be produced and, significantly, coal from higher ash cent blocks in the Stockton field could be used for carbon anode production.

That bumped the potential reserves at Stockton up to about 18 million tonnes, and other nearby coal reserves are expected to add another 18 million tonnes of potential carbon anode-producing raw material.

The immediate benefit is in providing New Zealand's aluminium industry with a cheap, locally-based carbon anode source. The savings in overseas exchange by ending reliance on imported petroleum coke should be substantial.

But the sheer size of the resource — it would take the two planned smelters nearly 100 years to deplete the Stockton field — also opens up export potential.

Mall on 'slow track'

by Ann Taylor

THE Railways Department is sticking to a "slow-track" for a Wellington property development.

Ten years ago it issued a development licence for a prime Johnsonville site. But despite demand for retail space in the planned shopping complex, not a sod has been turned.

Capital Projects, a company headed by National Party stalwart Egan Ogier, successfully tendered in 1972 to build the complex.

It has been given until the end of the month to finalise plans and arrange finance for the four-storey, $6 million shopping mall after being granted several reviews.

Edward Jennings Investment Ltd has been handling the project since December.

The project had never got off the ground, because of difficulties in raising finance and obtaining planning approval, Jennings said.

"Everything is now set to go, except we're short of $6 million."

He said he was "embarrassed with tenants" — 100 had indicated an interest in occupying the 28 shops planned.

Fletcher Real Estate, and Colliers, tendered unsuccessfully for the lease in 1972.

It has the head lease on the adjacent mall from Government Life and would have developed the Railways land to extend that mall.

Fletchers is still said to be interested in obtaining the lease.

The Ogier scheme, in line with Railways policy to bring stations closer to the community, envisaged trains running into the shopping centre.

Bill Taylor, at the Railways properties office, said he had "inherited" the project.

He said the extent of progress since December would influence the latest review decision . . . the 12th review the project has had.

Taylor said he thought progress had been made, "but not in construction".

He said he was keen to see the project go ahead and was reluctant for another round of tenders to be called.

"When you put another company in, we've got to start all over again . . . the department has to take a gamble, and see the thing get off the ground," he said.

NZFP more deserving than quick-profit buyers think

by Klaus Sorensen

JUST as the sharemarket looked set to go into reverse more good news arrived last week to buoy investors.

A sustained rise in the market normally ends in a weak period of profit taking.

But any profit-taking seems to have been postponed for a few weeks yet by the cash injections from the CFM share wrangle, a good NZ Forest Products profit, an apparent fall in interest rates, and the announcement of a $500 million oil exploration programme.

So far this year the market has had one major pause, and a couple of smaller ones, but it seems the market has now built up so much steam only a major economic disaster will stop it.

It began with an uncharacteristically good January — normally a lazy post-holiday month — due to the insurance merger. February, in contrast, was a bit lean, but the market picked up again in mid-March.

Last Wednesday saw the first sign of weakness when the NZUC index registered its first drop for weeks.

But the two-point fall in the index to 672 on that day is probably largely attributable to the slide in the NZ Forest Products shareprice.

This illustrated the rather fickle attitude of many investors.

They weren't unhappy with the increase in profit from $29.2 million to $52 million, — no, that was fine — what displeased them was the lack of a bonus issue.

The last bonus issue made by NZFP was in September 1974, and every year since traders have bought into the stock in anticipation of a bonus issue. And every year they have been disappointed.

But shareholders shouldn't act so surprised when NZFP fails to deliver — it is, after all, the arch conservative of the forest industry.

The company's cautious dividend policy has long been criticised; at times even the institutions have become vocal on the subject.

But two factors in the latest result suggest NZFP may be coming around to the sharemarket's way of thinking.

The first is the dividend increase from 18.5 per cent to 22 per cent. The market seemed to overlook the fact this represents a 19 per cent rise for the year, and that 15 per cent of the total payment is tax-free.

As well, most pundits expected NZFP would only increase its dividend from 18.5 per cent to 20 per cent — so the extra 2 per cent could be regarded as something of a "bonus".

But the other factor is probably more important.

This is the change of accounting policy relating to the capitalisation of forest development costs.

Every other forest company has been capitalising the cost of developing forests for years, but NZFP has been the odd one out by treating these expenses as a revenue cost to be deducted from the profit.

The company's move from a conservative accounting policy has led to rumours that the company will dump its policy of recording the value of its forests at cost.

Massive increases in the value of timber and land in recent years have left NZFP's forestry assets hopelessly undervalued. If the company revalues these assets, the asset backing would rise from the present $4.05, to between $8 and $10 a share.

Though the accounting change added $5 million to the profit the analysts are leaving it in, for the purposes of their calculations and projections.

The profit also includes a $1.7 million figure which arose from an original writedown on the investment in NZ Particle Board. When NZFP bought out its partner in the venture, the $1.7 million was written back into the first-half profit.

Because this is regarded as an extraordinary item, the analysts are using a $50.3 milion net profit figure — which returns 62.6 per cent on capital and covers the dividend 2.8 times.

The company's first-half profit was $20.8 million (excluding the $1.7 million writeup), up from $17.8 million in the 1980 year, and the second-half profit at first sight works out at $29.5 million (compared with $11.4 million previously).

But it must be remembered the $5 million accounting change was introduced in the second half, so this figure must be split between the two halves. The addition of $2.5 million to the first-half profit of $20.8 million, gives a true half-year profit of $23.4 million. This means the company effectively "earned" $26.9 million in the second half, to give $50.3 million for the whole year.

NZFP shares rose strongly in the month before the announcement, from around 395c to a high of 449. Following the announcement the shares came back around 10 cents as the speculators sold out to hunt around for something else due to report a result.

But the company's prospects are more encouraging. The directors reported that the profit had been earned in a "challenging" year with exports sales suffering in the early months due to the need to rebuild stocks (following the 1980 strike).

Demand from export markets was maintained, though pulp prices were down and keen competition on world paper markets had also produced a price weakening.

Similarly, sales of logs and timber to Japan had been conducted at reduced volumes and prices, and locally there had been no improvement in the house-building industry.

But there is a light at the end of the tunnel — and it's put a gleam in the analysts' eyes.

The directors predicted trading was expected to continue at present levels in the early months of the new financial year, but there would be an improvement later in the year, they said.

The two big plusses in the company's favour for the current year are an expected improvement in domestic building activity, and the fact that most of the company's pulp sales are negotiated in US dollars and the New Zealand dollar has shown a marked, and continued, devaluation against that currency.

So NZFP will not be as badly affected by easing world prices as might appear.

Companies like NZFP have spent the last few years streamlining their domestic production capacity and generally "trimming the fat". So when the anticipated rise in domestic building activity arrives, the likes of NZFP stand to reap big profits.

Though it is a little early to start predicting NZFP's 1982 profit, it is probably fair to assume this year's $50 million profit can be regarded as a "base" profit from now on. Any improvement in domestic building activity should add a lot of gravy to the earnings figures, and might even justify a bonus issue.

"This is Barton, Sales and office collections"

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Finance

The business week

Auckland Gas Co Ltd: net profit for the year ended March 31 was $1,013,000 (last year $734,633). A final dividend of 14 cents will be paid on July 23.

Aurora Group Ltd: net profit for the year ended March 31 was $875,716 (last year $743,687). A final dividend of 3.75 cents will be paid on July 30.

The Australia and New Zealand Banking Group Ltd ended speculation by offering **Commercial Bank of Australia** shareholders five ANZ shares plus $4 cash for four CBA shares.

Bank of New South Wales Ltd: unaudited net profit for the six months ended March 31 was $A82,831,000 (last year $A63,014,000). An interim dividend of 12 cents will be paid on July 9.

A M Bisley and Co Ltd will make a one-for-two issue of 50 cent shares at a premium of $1.40.

Carbonic Ice Ltd: unaudited net profit for the six months ended February 28 was $169,223 (last year $101,507). An interim dividend of 8 cents will be paid on May 29.

Computer Consultants Ltd will make a one-for-three issue of 50 cent shares at a premium of $1.30.

John Edmond Holdings Ltd will make a one-for-eight issue of $1 shares at $1.75.

Fletcher Challenge took a 12 per cent stake in **Canterbury Frozen Meat Ltd** hinting it would buy more if the **Primary Producers Co-operative Society**, which now holds 38 per cent, seeks to increase its holding further.

General Property Trust will make a two-for-five rights issue at $A1.56.

Henderson & Pollard Ltd directors rejected **Feltex's** $4.75 a share offer to increase its stake from 21.9 per cent to 55 per cent.

National Bank of Australasia Ltd: unaudited net profit for the six months ended March 31 was $A49,990,000 (last year $A36,017,000). An interim dividend of 11 cents will be paid on June 19.

NZ Forest Products Ltd: unaudited net profit for the year ended March 31 was $52 million (last year $29.2 million). A final dividend of 12 cents will be paid on September 9.

Pavroc Holdings Ltd's unnamed third bidder raised his price from $2.25 to $2.45 on a first-come, first-served basis, topping other bids by 5 cents. The offer is for a maximum of 250,000 shares. **Fulton Hogan Holdings Ltd** raised its bid for the total share capital to $2.40.

Property Securities Ltd is proposing a one-for-four bonus issue.

Rex Consolidated Ltd: unaudited net profit for the year ended March 31 was $1,801,883 (last year $1,122,563). A final dividend of 11 per cent will be paid on July 17.

Scott Group Ltd has paid cash for the manufacturing division of **Lincoln Industries** and has entered into a direct agreement with **The Stanley Works Pty Ltd** to manufacture and market Stanley and Turner tools. The licence was previously held by Lincoln Industries.

The Government went to **Winstone Group Ltd's** aid with a $10 million purchase and a $5 million convertible loan to bail out the joint venture Karioi pulp mill of **Winstone Samsung Industries Ltd.**

Economic indicators

MARCH and the year ending March were bad news for trade. The Reserve Bank's overseas exchange transactions showed a current account deficit of $18 million (last March, $97 million surplus) and for the year ended March a deepening deficit of $716 million ($482 million).

The three-month trend was more favourable, still showing a deficit of $69 million but down substantially from December's $287 million in the red.

The basic problem — invisible payments and imports are outstripping higher export prices which have slowed down as beef, wool, hide, skin and leather prices ease.

Exchange rates

AS at May 14, NZ dollar sells at:

Britain	.4224
US	.8747
Canada	1.0528
Australia	.7721
Fiji	.7388
France	4.8248
Greece	48.57
Hong Kong	4.7378
India	7.3567
Ireland	.5475
Italy	992.[illegible]
Japan	192.[illegible]
Malaysia	2.04[illegible]
Netherlands	2.31[illegible]
New Caledonia and Tahiti	81.5[illegible]
Singapore	1.83[illegible]
South Africa	.73[illegible]
Sweden	4.28[illegible]
Switzerland	1.81[illegible]
West Germany	2.00[illegible]
Western Samoa	.86[illegible]

Big (Aussie) Macs

by Lindsey Dawson

IF you've sunk your teeth into a Big Mac in the last few weeks, you've been eating Australian hamburger meat.

New Zealand's chain of McDonalds hamburger shops was in dire straits a month ago because of the strike at the Gear Meat Works, McDonald's sole suppliers of specially-sized meat patties.

"It was a case of buying Australian meat or going out of the business," said a McDonald's spokesman.

"Not only were they not producing, but we couldn't get our hands on the stores of patties which they had in stock."

The company imported several container loads of Australian patties — at a cheaper price than the local product.

The imported stock is almost gone and McDonalds is about to go back to New Zealand patties.

"But we've imported machinery parts from the United States so that the meatworks in Auckland and Wellington will also be able to supply us, as well as Gear. We won't get caught like that again," the spokesman said.

McDonalds would not disclose who its new suppliers are, or how much meat they need to run their operation in New Zealand.

Stock Exchange weekly review

FOR WEEK FRIDAY MAY 8 TO THURSDAY MAY 14

	Last sale	Week's high	Week's low	Turnover
ACRIL	125	125	125	200
AIRWORK,50C	125	125	120	2800
7.5% PR	...	...	...	0
6% PR	...	...	...	0
AJAX G.K.N.	330	330	330	200
ALCAN,50C	175	175	175	4700
A.N.I.	262	290	257	17600
ALLIANCE,50C	118	122	116	40000
12% CONV PR	105	105	105	1300
ALLFLEX	122	126	120	12900
ALLIED FARMERS	345	348	345	21200
12% CONV PR	350	...	...	0
ALLOY STEEL	210	...	...	0
A.M.BISLEY, 50C	300	315	300	463600
AMPOL PET.,50C	295	295	295	500
CON PR	225	...	...	0
A.BEAVEN	155	155	152	33800
11.5% CONV PR	135	135	135	1100
ANDAS GROUP	145	145	145	900
5-6.5% PR	121	121	121	900
12% CONV PR	120	120	120	200
ANZ BANKING GROUP	345	350	335	36800
A.WRIGHT	350	...	...	0
"A" 6-7.5% PR	80	...	...	0
"B" 5-6% PR	60	...	...	0
A.BARNETT	255	255	255	200
A.ELLIS	50	50	50	18700
ASHBY BERGH	365	365	360	8200
A.B.CABLES	280	280	280	2400
ATLAS, 50C	45	46	45	36900
10% CONV PR	45	46	45	8600
AUCK.GAS	530	540	530	1200
AURORA,50C	215	215	214	5400
10% CONV PR	255	255	255	100
14% CONV NTS	160	160	160	5100
A.C.I.	270	...	...	0
AUTOCRAT SANYO	310	315	305	7400
BAILLIE,50C	80	80	75	2100
BALLINS,50C	112	112	110	260700
11% CONV PR	95	95	95	600
BANK NSW	560	560	555	2000
BEACH PETR.,50C	300	...	...	0
BING HARRIS, 50C	98	96	96	12900
B.N.Z. FINANCE	375	375	360	5900
BRIDGEVALE,50C	200	...	...	0
BRIDGEVALE MINING	120	120	118	68100
BRIERLEY, 50C	450	451	440	56750
16.25% SPEC PR	255	...	...	0
BDS, 50C	70	70	70	2000
B.H.P., 200C	2300	2300	2300	2530
BROTHERS,50C	85	85	85	2900
BUNTING,50C	130	137	130	2800
BURNES CAT.,50C	160	...	...	0
C.P.D.	345	345	342	25400
10% CONV PR	315	320	315	1100
C.F.C.A.	230	...	...	0
11% CONV PR	175	...	...	0
C.F.M.	405	405	370	60070
12% CONV PR	305	...	...	0
CANT.FLOUR	220	...	...	0
CANT.TIMBER	382	385	380	7200
12% CONV PR	366	366	366	200
CAPITAL RADIO, 25C	120	...	...	0
CAPITAL LIFE,50C	105	110	105	700
CARBONIC ICE	300	300	300	2500
CARTER HOLT	445	460	435	22350
CBA FINANCE,50C	295	300	295	8700
CCL	300	300	265	29900
CERAMCO	300	307	296	21000
12% CONV PR	135	135	135	100
16% RED SPEC PR	400	...	...	0
CHENERY	290	...	...	0
CH'CH.GAS	310	310	310	11400
CH'CH PRESS	300	310	300	300
CITY REALTIES,40C	46	46	46	6300
CLYDE GROUP	115	115	115	400
12% CONV PR	105	...	...	0
COLLINGWOOD,50C	48	48	48	22100
13% CONV PR	48	...	...	0
CCL.MOTOR	250	250	250	300
COLYER WATSON	112	112	110	2700
CORALCO,50C	655	...	...	0
COMPAND	165	165	165	6600
CON.METAL,50C	173	...	...	0
CON.SILVER,40C	14	17	13	230000
COOKS WINE	125	130	125	23100
CORY-WRIGHT	190	195	175	15800
12% CONV PR	160	160	160	100
14.25% CONV PR	114	...	...	0
CROWN CONSOLIDATED	218	218	215	97400
11% CONV PR	205	208	200	68400
C.S.R	1100	...	...	0
DALGETY(NZ)	290	290	288	7000
DALHOFF & KING,50C	62	65	62	3700
DEANES	170	170	170	2400
D.I.C	218	225	218	8100
12% CONV PR	155	160	150	2000
DINGWALL & FULLER	265	...	...	0
D.NEL WALLACE,50C	116	118	115	7400
12% CONV [illegible]	...	...	...	0
11% NTS [illegible]	[illegible]	125	85	3200
5% CONV NTS	65	85	65	7200
D.I.F.A	[illegible]	...	...	0
[illegible],50C	130	135	128	31800
5% PREF	170	...	...	0
11% CONV PR	75	80	75	6400
DOMINION [illegible]	310	310	310	6700
12% CONV PR	340	340	340	300
D.B.[illegible],50C	105	107	105	3100
DUNLOP (NZ)	350	365	355	4600
6.5% PR	35	...	...	0
EBBETT	165	...	...	0
EDS,50C	110	110	110	6500
E[illegible],50C	150	355	340	5500
EQUITY [illegible] FIN 5,50C	20	...	...	0
E.ADAMS	205	205	205	1100
EUROPA PREF NT	95	95	95	1500
F.T.C.,50C	136	140	134	76000
11% CONV PR	107	107	105	44200
F.WAIMAK,50C	85	85	85	300
FELTEX,50C	180	180	177	79500
5% PR	192	192	192	700
16% PR	195	195	190	5800
FIRESTONE NZ	155	155	152	16300
FISHER & PAYKEL	262	265	260	51100
FLETCHER-CHALLENGE	282	287	278	202200
15% CONV PR	109	110	108	344380
16% CONV PR	442	445	440	5600
FOUNTAIN CORP	112	115	108	6400
FREIGHTWAYS, 50C	200	208	198	6700
10% CONV PR	150	150	150	700
GEAR	80	85	80	8900
11.5% CONV PR	70	70	70	400
G.COURT	150	150	150	1700
G.J.COLES,50C	411	...	...	0
GOLDEN BAY,50C	71	72	71	36000
GOODMAN GROUP	360	360	360	9000
14% CONV PR	295	295	290	80200
GROSVENOR PROPS, 25C	65	...	...	0
HALLENSTEIN	270	270	265	3700
HAURAKI ENTERPRISES,25C	135	135	135	100

	Last sale	Week's high	Week's low	Turnover
HAWKINS,50C	100	101	97	51100
6.5% PR	...	...	...	0
H.B. FARMERS	285	285	280	1400
13% CONV PR	180	180	180	1500
HAYWRIGHTS 5 PREF	65	...	...	0
HEALING	290	292	285	7800
12% CONV PR	265	...	...	0
H.POLLARD	475	485	475	41412
10% CONV PR	365	365	365	2625
HENRY BERRY,50C	182	185	180	8800
10% DEBS	235	...	...	0
HOLEPROOF	305	320	305	2100
HOOKER,50C	73	...	...	0
HUME INDUSTRIES	153	153	153	2100
5-7.5% PT PR	42	42	42	200
I.C.I.(AUST)	135	...	...	0
I.C.I.(NZ)	222	222	222	4700
IND BROADCASTING	110	...	...	0
INDEPENDENT NEWS	198	205	195	5300
IND.CHEM,50C	225	230	220	2800
INTERTASMAN NZ,50C	...	...	...	0
I.W.DOW,50C	258	260	255	5900
JAMES SMITH 50C	85	85	85	2300
14% CONV PR	55	55	55	100
12% CONV PR	55	...	...	0
J.BURNS	107	110	107	5300
12% CONV PR	205	208	200	2200
JOHN EDMOND	265	...	...	0
J.WEBSTER 50C	75	75	75	3700
12% CONV PR	55	...	...	0
J.MERCER INDS., 200C	70	...	...	0
5.25-6.25% PR	...	...	...	0
J.NATHAN	125	125	125	4200
6.5% PR	125	...	...	0
J.RATTRAY	230	230	230	1000
12.5% CONV PR	166	166	166	200
KEARNS-OATINA, 200C	300	300	300	100
L.W.RUDKIN,50C	85	85	82	42300
12% CONV PR	120	120	120	900
LANES,50C	55	58	55	5500
L.D.NATHAN	250	255	235	157200
9.5% CONV DEBS	225	223	223	1100
15.5 CON PR 90	225	225	225	1000
LEYLAND,50C	150	...	...	0
LION, 50C	139	142	137	206900
10% CONV PR	136	142	135	5700
12% CONV PR	40	115	40	1500
L.&M.OIL,50C	34	37	36	19900
LUSTEROID	215	215	215	2000
MAINZEAL CORP,50C	175	175	175	2300
15% CONV PR	80	...	...	0
MAIR,50C	302	302	290	57200
11% CONV PR	270	275	265	25600
MANAWATU,50C	110	110	110	20900
MANTHEL	190	...	...	0
MARAC	400	415	390	6150
MCALPINE,50C	112	115	110	2900
MCKECHNIE	250	250	250	400
MIDLAND	190	195	190	6100
11% CONV PR	170	170	170	1100
MIN.RESOURCES,20C	100	102	70	103100
M.O'BRIEN,50C	62	65	60	2400
12% CONV PR	55	...	...	0
SPEC PR	55	...	...	0
MONTANA,50C	160	160	157	10500
M-P.I.M.	200	200	200	1900
11% CONV NTS	170	...	...	0
MOTOR HOLDS.,50C	187	192	185	38900
12.5% PR	107	...	...	0
MOTOR TRAD.,50C	77	80	77	40600
5-6% PR	60	...	...	0
11.5% CONV PR	57	60	57	1600
MSI CORPN,50C	114	114	110	28900
12% CONV PR	110	110	110	400
MT.COOK	180	185	178	27800
M.I.R.HOLDS.,50C	711	...	...	0
NAT.INSCE,50C	315	320	305	8100
NATIONAL TRADING	...	...	...	0
8% PR	...	...	...	0
NAYLOR	150	150	150	200
5% PR	30	...	...	0
NEIL HOLDINGS, 50C	85	86	83	205600
N.Z.CEMENT	145	145	140	8500
N.Z.F.C.,50C	140	140	135	27900
11% CONV PR	120	120	117	1400
N.Z.FARM FERT.	202	208	200	8600
12% CONV PR	175	...	...	0
14% CONV PR	162	162	160	400
N.Z.F.P.	437	447	436	131750
N.Z.I.G.	430	400	400	4150
5.5% PR	290	...	...	0
N.Z.I.	380	...	...	0
10% CONV PR	310	315	310	8300
N.Z.LAND,50C	32	32	32	1100
N.Z.LEATHERS	48	50	49	6500
N.Z.MOTOR BODIES	100	100	98	5100
N.Z.M.C	190	200	188	57600
N.Z.NEWS	225	225	222	24000
N.Z.PETROL.,50C	575	...	...	0
N.Z.REFINING	80	155	78	24000
NZSB	116	117	108	345500
N.Z.STEEL	215	217	214	36600
N.Z.UNITED	900	900	900	1200
NUHAKA	260	260	260	300
ODLINS,50C	97	97	92	104300
12.5% CONV PR	72	73	72	9200
"B" 13% CONV PR	72	73	72	2900
16% CONV PR	73	73	73	800
OIL SEARCH	65	65	62	5100
12% CONV PR	54	54	54	100
OTAGO PRESS & PROD	135	135	133	200
PAVROC HOLDINGS	240	245	225	3000
P.D.L.HOLDS,50C	220	220	220	3800
PERM.INVEST	...	...	...	0
PHILLIPPS & IMPEY,50C	205	215	203	55000
PRINT & PACKAGING	195	197	195	16700
11.5% CONV PR	180	180	180	5250
PROGRESSIVE	470	475	460	17600
12% CONV PR	900	900	900	300
PROP.SECURITIES,50C	215	215	210	3200
PRUD.BUILDING	130	130	130	400
QUILL MORRIS,50C	112	112	112	3300
12% CONV PR	100	...	...	0
RADIO AVON, 25C	125	...	...	0
RADIO OTAGO	92	...	...	0
REGINA	130	...	...	0
R & W HELLABY	130	140	127	316300
REID FARMERS	315	315	315	700
REPCO(NZ),50C	85	85	85	93900
REVERTEX	300	300	300	2300
REX CONSOL.	320	330	320	24600
CON PR	180	180	180	26566
RHEEM,50C	190	190	190	2800
RICKSTAN,50C	242	...	...	0
ROTHMANS,50C	146	158	144	39800
R.W.SAUNDERS	270	270	270	900
SALMOND	210	211	210	25800
SANFORD	360	360	360	6100
PR	220	...	...	0
12% CONV PR	300	300	300	100
12% "B" CONV PR	270	280	270	2300
SCHOFIELD	140	...	...	0
SCOTT,50C	100	105	93	73000

	Last sale	Week's high	Week's low	Turnover
SELBY	370	370	370	200
SKELLERUP,50C	350	355	350	16700
5-7.5% PR	37	...	...	0
SMITH BIGLAN,50C	170	170	168	9900
12% CONV PR	147	...	...	0
SMITHS C.H.	160	160	160	4600
STH. BRITISH	418	...	...	0
STHN. CROSS HOTEL	145	145	145	300
STHN CROSS FINS.,20C	38	42	38	25200
S.F.M.	255	260	250	133500
SPEDDING, 50C	70	74	70	900
12% CONV PR	75	75	75	2400
STEEL & TUBE, 50C	130	132	128	98700
SUCKLING	165	...	...	0
TAYLORS	165	...	...	0
12% CONV PR	150	150	150	100
TELTHERM	140	140	140	6300
12% CONV PR	133	135	133	500
T J EDMONDS	300	300	300	4300
TOLLEY	182	190	182	23100
TOUR FIJI	36	36	35	1100
TRANS ASHBURTON, 50C	60	60	60	12000
TNL GROUP, 50C	112	112	111	37600
10% CONV PR	85	85	84	1400
12% CONV PR	97	97	97	1000
TRANS [illegible]	128	128	126	3200
13.5% CONV PR	105	...	...	0
15% CONV PR	105	...	...	0
U.E.B.	114	115	112	66700
6.5-7.5% PR	115	...	...	0
12% CONV PR	97	97	95	15700
15% CONV PR	65	66	65	11800
UNION STEAM SHIP	62	...	...	0
5.5% PR	78	...	...	0
UNITED BLDG	105	105	105	100
UNITED [illegible],50C	265	...	...	0
VACATION,50C	77	77	75	16300
12% CONV PR	75	...	...	0
12.5% CONV PR	70	70	70	200
WALTAKI-NZR	235	235	230	[illegible]
11.5% CONV PR	180	180	180	3100
WALKER & HALL	455	[illegible]	[illegible]	[illegible]
WATTIE,50C	162	170	162	[illegible]
12.5% CONV PR	95	100	95	[illegible]
WELCAN	435	...	...	0
WESTPAC	215	215	215	3700
WILKINS & DAVIES	220	220	220	500
5.75-7.5% PR	57	...	...	0
W.JEFFRIES	118	...	...	0
12% CONV PR	145	145	145	1290
WILSON & HORTON	455	465	455	11550
WILSON NEILL	155	155	155	[illegible]
WILSON [illegible]	123	123	123	[illegible]
12% CONV PR	155	155	155	500
WINSTONE,50C	75	75	70	[illegible]
12% CONV PR	55	57	53	[illegible]
W[illegible] PROPS, 25C	[illegible]	...	...	[illegible]
5.75% PR	72	...	...	[illegible]
W[illegible], 50C	[illegible]	...	...	0
WORMALD	[illegible]	325	305	11400
5-7.5% PR	100	...	...	0
W.SUTHERLAND	110	110	110	1200
YATES CO-P	455	460	445	2750
CONV PR	170	...	...	0

Forestry

Govt outflanked on fate of $6 million Fiji aid project

by Warren Berryman

FLETCHER-Challenge and British-owned BP South-west Pacific Ltd are tipped to *become the prime beneficiaries* of the $6 million New Zealand foreign aid pumped into the Fiji Pine Commission.

The Ministry of Foreign Affairs and the New Zealand Forest Service helped the Fiji Pine Commission to establish its Caribbean pine stands near Nadi on the assumption that a New Zealand-owned company eventually would participate in the harvest and production of the wood.

The Fiji Pine Commission, *and its New Zealand Forest* Service advisers, were all set to accept a joint $F115 million proposal from New Zealand Forest Products and Shell Fiji Ltd, to produce sawn timber and wood chips.

But an American company — allegedly linked to the far-right Phoenix Foundation — put up a proposal which was attractive to the Fijian land-owners.

The Fiji Pine Commission's rejection of the American proposal led to its long-standing relationship with the land-owners ending in an outbreak of land-owner revolts.

Amidst the bids and counter bids, in a controversy spiced with allegations of fraud, political favouritism and mismanagement, the Shell-NZFP proposal was dropped, along with another proposal from the Rotorua-based, M K Hunt Foundation, for pulp and paper production.

According to a former New Zealand executive of the Fiji Pine Commission, New Zealand blew its chances of participation because of its neo-colonial attitudes towards the Fijians.

The Fiji Pine Commission gave the green light to BP South-west Pacific, whose initial $F27 million proposal called for production of medium-density fibreboard and sawn timber.

BP has long-standing ties with Fletchers in forestry projects in this country.

As *NBR* went to press last week, London-owned BP South-west Pacific's forestry man Alan Berry, was visiting the Pine Commission. Ross Usmar, Tasman Pulp and Paper's forestry manager, was also with the commission in Fiji.

Fletcher Challenge's manager of forestry, Carl Ryan, said Usmar was in Fiji with his family for a vacation but would probably spend some time getting a feel for the lay of the land.

Ryan said that, to date, Fletcher Challenge had no involvement with the Fiji Pine Commission at all. But Fiji Pine sources say that this is not Usmar's first visit to the Fiji pine stands.

Sources within Fletcher-Challenge and BP consider a joint BP-Fletcher-Challenge venture in Fiji likely.

If BP went ahead with its original plans for a fibreboard plant, exporting that product to New Zealand would cut into an already over-supplied market held by NZFP and Canterbury Timber Products.

BP asked NZFP if it wanted to participate in the project. NZFP declined because it did not want to make a product in Fiji in competition with its New Zealand-made product.

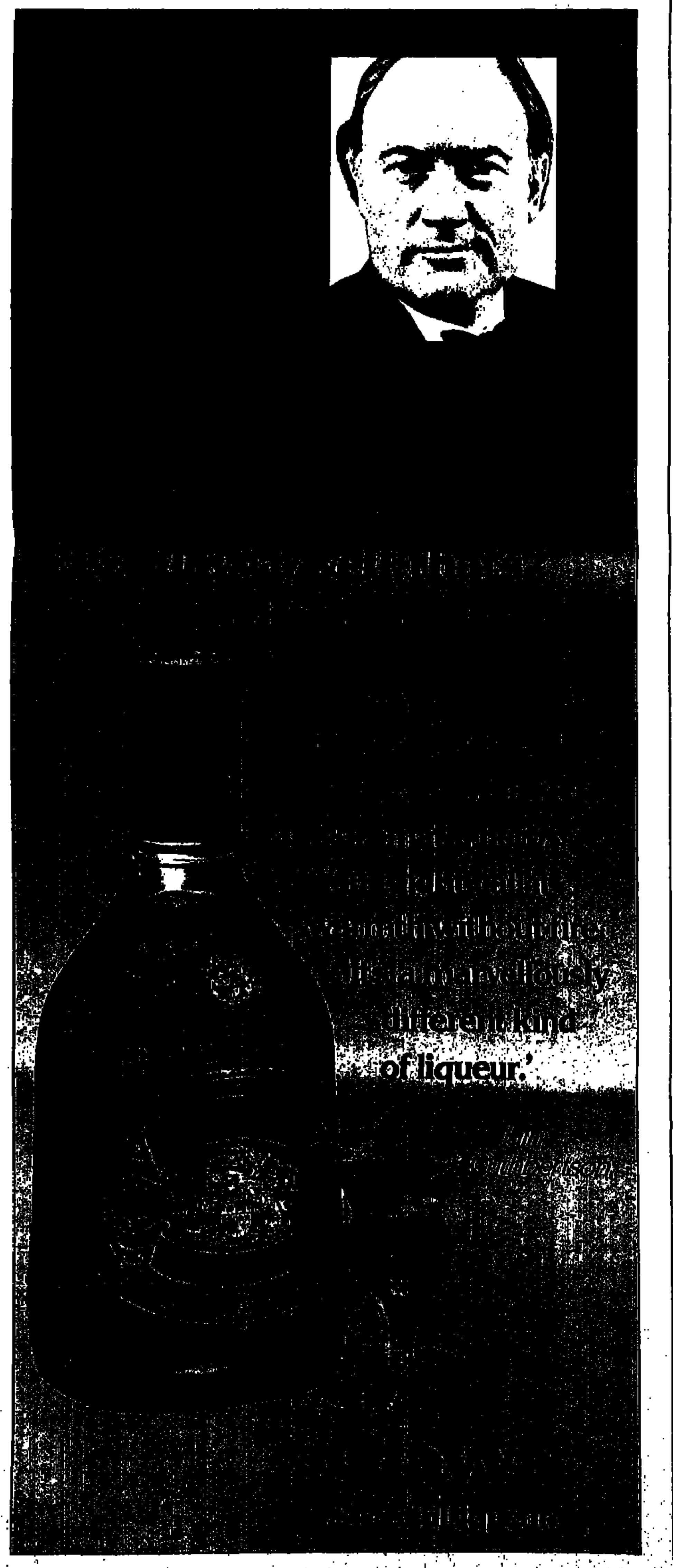
If BP is not held to its original fibreboard proposal there are other options.

New Zealand is due for a quantum leap in wood supplies in the late 1980s, but there is a present shortage.

Joinery factories are being supplied with wood on a quota basis.

Even Tasman Pulp and Paper, with control of the bulk of State subsidised Forest Service timber, faces a temporary wood shortage between the time its fourth paper machine comes on stream and its own forests reach maturity.

There will be a serious shortage if all the proposed pulp and paper projects go ahead as planned.



Karioi prospects still bleak

From Page 1

The company was paying the London Interbank Offer Rate (Libor), he said.

According to the BNZ, the Libor rate is currently 18 7/8ths per cent for six months and 17 7/8ths per cent for 12 months.

Nevertheless, some industry experts told *NBR* the money would not solve the basic problems and uncertainties, evident when the first proposals for the Karioi Mill were put forward in 1976 and still valid:

- The wood supply problem;
- Failure to secure overseas markets that promise continuity of sales at profitable prices (marketing as compared to "selling");
- The mill's energy problems which continue to drain company resources; and
- Technical problems such as an apparent inability to maintain the quality of pulp at required levels.

Other industry people are more optimistic.

New Zealand Forest Products managing-director Doug Walker said the injection of capital would be a considerable help in alleviating the heavy burden of financial charges dogging the company.

NZFP will be using thermo-mechanical pulp from the Karioi mill to replace waste paper at its Kinleith and Mataura mills, building up gradually to around 20,000 tonnes after two years, Walker said.

The costs would be higher than if waste paper were used; thus that figure would be a maximum. But it was important for local companies to "endeavour to find uses here for this type of pulp", despite the cost, he said.

The belief, too, that the mill has been "saved" will bolster up the flagging confidence of investors throughout the industry.

One forestry source said the Winstones dilemma had had repercussions throughout Australia and New Zealand, and the effects had even reached South America.

Not only would it be hard for any new pulp mills to start up in New Zealand, but because thermo-mechanical pulp was a relatively new development, the Karioi affair tended to rub off on to those providing the technical equipment, he said.

Merchant banking people in Australia are said to have indicated they will think twice before putting money into such ventures again.

A mechanical engineering source said another real problem was the technical inability of the company to produce good quality pulp.

It is not clear if the Korean partners — who undertook originally to take 70 per cent of the mill's output — reneged on their contract.

It has been suggested that because no legal action is being taken against them, the pulp was not up to the agreed specifications.

The mill operation had a "longer learning curve than anticipated", and bugs took too long to iron out. But Bamfield said the company had hired international technical consultants to sort out those technical problems.

He said it would not be economic to sue the Koreans. The problem was not quality, but price, as the Koreans found the use of waste paper cheaper. Significantly Korea dropped the tariff for waste paper which it imports from America.

But there are indications that some modification of the company's equipment could enable the low-grade pinus contorta timber to produce a better quality pulp than has been possible.

The problem of markets is another hurdle. An order for 10,000 tonnes of thermo-mechanical pulp from the mill was shipped recently to India. But industry sources say India is not known to pay top prices for such deals.

Bamfield would not mention price, but he said the Indians paid at least as good a price as the Koreans.

He also said the company hoped to be successful in marketing internationally by 1984 to the extent that it might not be able to supply, at a competitive price, local concerns such as Tasman's fourth newsprint machine.

There is also a suggestion that a paper mill might be added to the Karioi Mill in the long term and Bamfield said it was unlikely the plant would remain solely a pulp mill. He mentioned a long-term possibility of making specialist papers.

Whatever happens to the mill, observers are critical of the Government's intervention in a private enterprise venture which should not have proceeded unless it was clearly viable. And the Karioi venture was always doubtful.

Meanwhile the company has refused to state its accumulated debt or reveal the effects of the losses on the parent, Winstones Ltd.

Shipping

Shipping Corporation sets sale for East Asia trade

by Allan Parker

THE recent foray by Prime Minister Rob Muldoon into the tricky trading shoals of Japan and Korea underlined our increasingly compicated shipping connections with the region.

As Japanese trade continues to expand and Korea reappears from political ostracism and economic decline, New Zealand and Japanese commerce is demanding a rising level of shipping facilities.

To accomodate the demands, shipping companies are tacking for position and prestige on the route. They are particularly keen to clinch their place as carriers between the two regions in time for the expected rise in natural resource production such as timber and coal by the end of the decade.

The operaters are trying to negotiate liaisons that will ensure a share of the trade. But the rivalries and jockeying will be far from smooth.

The flagship leading the repositioning of the fleets is New Zealand's national carrier, the New Zealand Shipping Corporation. The corporation already has a presence in the trade with strategically-vital north Asia through its participation in a conference line serving the region.

The other conference members are Japan Lines, Mitsui OSK and the British Crusader Swire line.

The service is largely dedicated to two container vessels, Godwit and Aotea, which provide a two or three week service between New Zealand and the major Japanese ports like Tokyo and Osaka.

The Shipping Corporation has been a member of the conference since about 1977, when it negotiated a share of the action by way of what the trade calls slot charters.

The initial Shipping Corporation share was small, but it has been steadily renegotiated upwards in the intervening years and is now believed to be about 50 per cent, although the corporation will not disclose the percentage share.

Freight rate price-fixing by the conference lines, which amount to a virtual cartel, has left steerage way open for non-conference carriers to operate by offering cheaper rates to importers and exporters.

Last week, for example, *NBR* disclosed details of cheaper rates offered on the New Zealand-Far East route by the Auckland-based carrier TranzPacific Container Services.

The company's cargo rates are some 30 per cent cheaper then the conference line and has prompted a 15 per cent "fighting discount" reaction by the conference members.

Other lines plying between the Tasman and Sea of Japan include the meat-carrying Lauritzen Line, a Danish owned conventional service.

There are also two Norwegian carriers, Jebsen and Gearbulk. Jebsen runs general cargo ships from New Zealand outports like Tauranga and Napier. The latter carries bulk items like timber and pulp, although more recently it has begun moving containers as well.

The conference line services only major ports, with fixed trans-shipment arrangements to other Japanese centres and Korea. Its rivals are more flexible and service main Japanese ports, Japanese outports and Korea directly.

And with New Zealand natural resource development over the next decade, the Shipping Corporation is looking to win a share of the action by weighing anchor with one of the non-conference carriers with an eye on future timber products and coal transport.

It has been negotiating with the Norwegian Jebsen Line in recent months and hopes to lock an arrangement into place within six months.

The nature of the arrangement the corporation wants is not known but there are three basic choices: space charter, common charter or ultimate purchase.

The corporation views the proposed tie-up with Jebsen as complementary to its current conference connection rather than competing against it.

However, it could well find itself in such a position, which would raise the eyebrows, if not the ire of its fellow *conference* members.

While primarily servicing non-conference ports, Jebsen's does pick up some trade from the major Japanese ports like Tokyo. The Shipping Corporation regards the Jebsen presence there as minimal and does not believe a Shipping Corporation-Jebsen deal would create trouble between itself and its conference partners.

A corporation source told *NBR*: "Jebsen's container traffic is of a very incidental nature; we don't think there will be any trouble about it."

However, the source admitted that such an apparent conflict of interest was "one of the complications" that such a deal could create. The corporation intends dealing with any such complications as they arise.

An industry source has also suggested that Jebsen is anxious to secure the promising coal trade cargo from New Zealand to Japan. Its chances would be enhanced if it had a connection with the New Zealand Government's own shipping line.

Jebsen is already involved in bulk cargo through transport of aluminium industry materials. But increasing coal output is an alluring prospect.

A corporation source agreed: "Naturally, an association with us would have an appeal for Jebsen as we are the national carrier." Thus, the proposal now under negotiation holds advantages for both sides.

From the Shipping Corporation point of view, too, it would allow a degree of shipping flexibility in the Japan-Korea-China region that the conference membership does not allow.

Bulk timber and coal transport would be complementary to the container traffic it now carries as a member of the conference.

The arrangement would open up new ports in Japan and Korea. And it could join the price-cutting war between the conference and non-conference shippers.

But just how far the Japanese will be prepared to accept that situation remains to be seen.

Certainly, the Japanese conference partners already operate independently out of the main ports and the corporation argues that it is merely trying to get a minimal piece of that freight, anyway.

But will the Japanese, conservative and used to pro-Japanese policy by their own government, see the principle as important enough to sail to war *against its New Zealand partner*?

Their own countrymen are already showing a new willingness to forsake national pride for commercial advantage by looking at the cheaper, non-conference rates.

TranzPacific's joint managing-director David Batchelor said (*NBR*, May 11) that the big Japanese trading houses which fought against non-conference services in earlier days are now supporting them with cargo.

If that trend begins harming the conference, the Shipping Corporation may well find itself caught between the devil and the roughening deep blue sea.

Law

From cradle to grave, new dilemmas for the lawyers

by Jack Hodder

DEVELOPMENTS in medical technology may seem an unlikely topic for this column. But such developments are creating some extraordinary problems for the legal system.

Two of the more fundamental relate to the beginning and end of human life respectively: to artificial conception; and to the causation of death.

Dealing first with artificial conception. This was the topic examined by Professor Wadlington, of the University of Virginia law school, in a paper discussed at the New Zealand Law Society's recent triennial conference in Dunedin

Wadlington's fundamental thesis is that rapid scientific and technological changes are replacing rapid social changes as the primary causes of the gap between legal rules and reality. He uses artificial conception as an example of this.

Wadlington outlined several types of artificial conception:

- Homologous artificial insemination (AIH) — impregnation of a woman by syringe with her husband's semen;
- Heterologous artificial insemination (AID) — impregnation with semen from a man not her husband;
- Combined artificial insemination (CAI) — where the semen of the husband and of a "donor" are mixed before impregnation;
- In vitro fertilisation (IVF) — where ova are removed from a woman, fertilised by sperm in a laboratory (the proverbial test tube) and the embryo then placed in the uterus of the female donor; and
- Surrogate mothering — a woman is impregnated with the sperm of a man and agrees to bear a child for him and his wife (a variation of this is the use of a surrogate mother for the IVF process).

Births from those types of conception remain infinitesimal in comparison with those from the old fashioned method (OFM) but the numbers are growing.

AID births are estimated at about 10,000 annually in the USA and about 20 a year in New Zealand.

The total international tally on IVF births is apparently still four: two in Australia; one in England; and one in Scotland. There seems little doubt that the numbers of both AID and IVF births will grow as the supply of children available for adoption shrinks (due to improved birth control and the fading of the social stigma of rearing a child out of wedlock).

The legal (and, indeed, political) questions raised by developments in artificial conception are whether and, if so, how far the law should lay down rules regulating such developments.

It seems likely that New Zealand is not yet ready for healthy young women taking out classified advertisements seeking surrogate mother roles.

The courts would doubtless be perplexed as to whether a surrogate mothering contract was to be enforced or not as a matter of public policy. And the "free market" solution — the sale of live babies (or even the development of a futures market) — would encounter a degree of opposition.

The courts have already had to deal with some aspects of AID. In 1921 a Canadian court held that AID without the consent of the husband was adultery and a ground for divorce.

In 1958 a Scottish court reached the opposite conclusion and observed that "self-adultery is a concept unknown to the law".

That provoked the New Zealand Parliament into passing legislation making AID without the husband's consent a separate ground for divorce. (That legislation will be repealed on October 4, 1981 when the Family Proceedings Act 1980 commences.)

An English court has ruled that AIH does not constitute consummation of a marriage. And in 1977 a New Jersey court held that a man who donated his semen to a single woman for AID was entitled to access rights and to be recorded as the child's father on official birth records.

The courts will continue to be faced with difficult and unique cases (for example, over the custody of an IVF child born to a surrogate mother). The real question is whether legislation should lay down guidelines.

Among the matters to be considered are: Whether donors should be screened? Whether there should be a limit on the number of fertilisations for each donor? Whether donors should be relieved of all obligations to maintain the child and/or the mother? Who is properly to be recorded on official records as the father of the child?

If the donor is deceased (but participates in the conception by virtue of a sperm bank), whether the child should or should not have a claim against his property? And should any such sperm banks be licensed?

The discussion of some of those matters at the Dunedin law conference produced few firm recommendations.

Various states of the United States have developed legislation regulating AID practices and both Professor Wadlington and one of the local commentators, Professor Skegg of the Otago Medical School, considered that they could usefully be followed in this country.

For the rest it was suggested that the medical profession should exercise its own judgment but increase its dialogue with the legal profession. The fact that doctors were having a conference in Auckland while lawyers met in Dunedin was not an auspicious beginning.

At the other end of the life saga is death. Medical developments in the tissue and organ transplant field have led to the passage of laws defining death in terms of "brain death" in a number of American and European jurisdictions.

The development of life support machinery for use in hospitals on critically ill patients also has ramifications in the area of the criminal law.

It is well understood that if one person kills another it is homicide and that it is culpable (that is, either manslaughter or murder) if the killing was the result of an unlawful act.

Normally the question of causation is obvious. If A stabs B and B dies there can be no dispute that A caused B's death. Medical intervention complicates matters.

Suppose that B is taken to hospital and undergoes surgery which would be expected to save B's life. The surgery is badly done and B dies. Can it still be said that A caused B's death?

English and New Zealand law gives an affirmative answer: if the original wound is a continuing and operating cause of death then A is culpable.

The same approach has been applied to a situation where B was placed on a life support machine, the level of brain activity faded to nothing, the machine was turned off and B was shortly thereafter declared dead.

In a decision given earlier this year, the English Court of Criminal Appeal held that A could not argue that the switching off of the machine (and not his assault upon B) was the cause of death.

Difficult problems of medical and legal ethics may arise in a situation where B is on a life support machine for some time and a decision is made to switch it off.

The law provides that no one is criminally responsible for the killing of another unless the death takes place within a year and a day after the cause of death. To turn off a life support machine after 363 days may mean that a medical decision determines whether A faces a charge of assault or one of murder.

Artificial conception and causation of death are just two of the complex matters thrown up by the medico-legal world. They involve moral and philosophical as well as technical issues.

Analysing annual accounts: Command Services

By Klaus Sorensen

THE Command Services Corporation Ltd annual report for this year to January 1981 is a somewhat contradictory document. While it is full of American-styled business terminology and descriptions, the accounts themselves are littered with question marks.

The accounts cover the 40-week period to January 5 1981, due to a balance date change, so naturally the two sets of figures for 1980 and 1981 are not strictly comparable.

But there are a number of financial changes which may or may not be due to the change of balance data, and neither the chairman's review, nor the notes to the accounts throw any light on the answers.

The profit and loss account shows a more than doubled interest charge and a big jump in associate company pre-tax profits, while the balance sheet details a big increase in the bank overdraft, an increase in inventories despite the shorter trading period, higher current liabilities and sundry creditors, an increase in term loans, and also an increase in funds on deposit.

All these movements are significant enough to merit some sort of explanation.

On the other hand, chairman Graeme Crothall provides some interesting insights into the company's corporate thinking.

For a start, he describes the company's activities in a *completely new* way.

Shareholders may think they have invested in a company which carries out commercial cleaning, catering and security functions. But they're wrong.

In fact, "our business is the provision of labour intensive repetitive support services to buildings, such services usually being secured by long-term agreements."

The company's staff are in for a similar surprise when they read the report.

They have probably been labouring under the impression they were being employed as cleaners, waitresses and chefs, and security guards.

Not so, according to Crothall. "The basic skill we need for these services is the training, motivation and supervision of semi-skilled labour in the performing of repetitive tasks that lend themselves to standardisation and efficiencies."

The result is "through this skill we achieve higher productivity and out of the resultant cost saving provide an improved service at a lower cost to the customer and at the same time earn a profit for your company."

Still, this is Crothall's first annual review as chairman of the company and he has a pretty hard act to follow.

He has replaced his father, Alan Crothall, as chairman and in Graeme Crothall's words, "it is appropriate to acknowledge the extraordinary efforts of this distinguished business visionary".

The company has done this by appointing Alan Crothall (who founded the company) to the lofty sounding position of honorary president.

In this capacity Alan Crothall will "continue to serve as a director and apply the wealth of his expertise to the ongoing success of your company", according to his son.

But to be fair, how many other listed public companies are prepared to disclose a defined dividend policy — if they even have one.

Graeme Crothall says it is board policy "to recommend to shareholders a dividend of approximately 40 per cent of after-tax profit each year, provided that such dividend will not restrict sound growth".

That sort of commitment to shareholders is carried out by only a few companies in New Zealand, and apart from the likes of Fletcher Challenge, few have publicly stated their intentions.

Crothall's review does score high marks when it comes to describing the factors affecting the business, and the company's future strategy.

He says most of the services the company provides are essential — "they cannot be eliminated in times of economic recession" and the services are repetitive and secured by long-term contracts. The average length of a contract is eight years, though some have been held by the company for 20 years.

The business is also highly labour-intensive, to the extent where 85 per cent of costs are wages, salaries and associated fringe benefits. At the same time, though, it also has low capital requirements, with some vehicles and small amounts of equipment the only major fixed items in this category.

"Working capital is required to finance payrolls but even this requirement is relatively low since our debtor carry is very low," Crothall says.

He says several attractive features arise from these factors.

"The essential nature of our service and our long-term contracts give us a stable profit base from year to year and make us far less vulnerable to economic downturn than most other industries.

"The high labour content and low capital requirements lead to a high return on investment. The main risk factor in our industry is the relatively low percentage that profit forms to turnover, making tight control of labour and other costs essential.

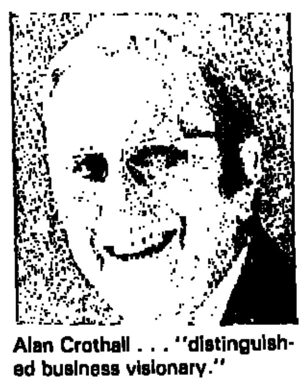
"Thus more than with most businesses we are the masters or our own fate, relatively impervious to economic downturn, yet with our low margins very sensitive to good management and cost control".

The company sees Australia as a major growth area, particularly since half of New Zealand's hospitals are cleaned by contract and Command serves around 90 per cent of these, while in Australia fewer than 5 per cent of hospitals are contract-cleaned.

But the company is under no illusions about this growth. "Our strategy is to concentrate on that which we do best and we are disciplining ourselves against diversification for its own sake, even if this means that the entrepreneurial philosophy of the past has to be muted somewhat."

Instead, the company has, as its goal, becoming or remaining market leader in its present areas.

"Given this policy to concentrate on the business we know, and given our large market share in New Zealand we see our major area of expansion in the years ahead being in Australia. Specifically, we plan continued strong growth there in hospital services, commercial cleaning and industrial catering."



Alan Crothall . . . "distinguished business visionary."

Crothall calls this the company's "Australia Policy".

The consolidated statement of income shows turnover for the 40 weeks was \$44.5 million compared to \$50.8 million in the 52 weeks previously. Total income was \$44.8 million and expenses were \$43.8 million, leaving a surplus of \$1.1 million, compared with \$49.6 million and \$1.5 million respectively for 1980.

Included in expenses are wages, salaries and operating expenses of \$43 million, compared with \$48.9 million, as well as "other interests," up from \$60,570 to \$147,416.

This steep rise is not explained in the accounts, though presumably it ties in with an increase in the bank overdraft and notes payable shown in the balance sheet as up from \$742,453 to \$1,946,004. The notes to the accounts explain only the security of the various borrowings, not the reasons for them.

The statement of income also shows an increase in the share of associated company pre-tax profits from \$75,032 to \$118,075, and an increase in the share of retained profits of associates from \$23,748 to \$42,667.

The balance sheet shows an increase in current liabilities from \$5.3 million to \$7.3 million and a jump in term liabilities from \$221,594 to \$819,163, due mainly to an increase in term loans.

Investments rose from \$1.2 million to \$2.6 million, following an increase in shares in an associate company from \$326,102 to \$623,500, and a rise in deposit and term debtors from \$191,170 to \$1.2 million.

But again shareholders are left groping through the statement of funds and the notes to the accounts for explanations.

For the gadget-happy, the latest boom is home video

by Lindsey Dawson

GADGET-happy homes are sporting new toys — video-cassette recorders. Retailers report a heavy demand for the new video machines, despite the Everest-high prices.

Kiwis are paying between $2000 and $3000 for the privilege of being able to record their favourite TV programme for later viewing, plus an extra thousand or so for a video camera if they want to make home movies to play back on their TV sets.

The supply of pre-recorded movie cassettes is almost nonexistent; the only source of supply is tapes imported in returning overseas travellers' suitcases.

But the price and the lack of video software does not seem to be deterring eager buyers from keeping up with Joneses, since the Government freed importation of VCRs for domestic use last Christmas.

"We're selling everthing we can lay our hands on," says Bob Parkinson, of Email Industries, which handles Sony in New Zealand.

But the situation here is still lagging behind that across the Tasman, where VCR and cassette sales are booming. Aussies pay something like half the price for VCR decks. The difference in New Zealand comes from 65 per cent import duty, 40 per cent sales tax, 20 per cent to the distributor and about 25 per cent to the retailer.

The result is that National's NV7000 which costs $A1500 in Sydney is priced at $2900 in New Zealand. JVC's HR3330EA model is $995 there and $2445 here. The Sony SLC7E is $1099 there and $2865 here.

There are 100,000 VCR units in Australia, and three specialist video tape marketing companies are selling and renting tapes of movies ranging from Hollywood classics and porn to *The Muppet Movie*, the Australian Rules Match of the Day and Bjorn Borg's tennis lessons.

The Australian viewers' tastes aren't too cultural if a newly-published list of the top 10 video-cassette feature movie is anything to go by. They are *The Stud*, *The Case of the Smiling Stiffs*, *Hallowe'en*, *Flesh Gordon*, *Partrick*, *Massacre in Rome*, *Citizen Kane*, *Fantasm*, *The Happy Hooker* and the 1933 version of *King Kong*.

But at least they have a wide choice. Those in the know here say there's any amount of porn around (one local ad agency treated its clients to a blue movie at last year's Christmas party) but anyone hoping to get newly-released movies from Hollywood to view in their own homes will have a long wait.

Several businesses are looking into the possibilites of supplying software, but according to show biz entrepreneur Russell Clark, who is managing director of Video Power Ltd, there is likely to be little available for at least six months.

"There are awful complexities involved," he said. "We're moving very cautiously. Video is the hottest growth industry in the world but we have to be sure that it's done right for the consumer and right for the country."

His firm was "inundated" with retailers wanting software supply, he said, but there were big problems involved in obtaining copyright, and setting up the business responsibly. His firm, which will operate under the name, Video Classics, will do nothing which will contravene the country's censorship laws he said.

He envisages that the major market will be in cassette rentals, as movie cassettes here will attract 40 per cent sales tax, pushing the retail price up to $150 or more. Australian prices are under $100.

Other firms are in the running too — but according to a Kerridge Odeon spokesman no major film companies have granted any copyright at this stage.

Making the big decision on which VCR to buy is complicated by the fact that there are two different types on the market — the Beta and VHS systems — and the cassettes are incompatible.

Sanyo, Toshiba and Sony use the Beta system. National and JVC are VHS brands. Beta cassettes are smaller and have a different tape-loading system. Some electronic buffs vote Beta superior technically — but salesmen on both sides can give you reasons why it's better to buy their way.

Cassettes are available in both formats, although VHS salesmen say that because VHS is the market leader in Britain and the United States Beta tapes are more expensive there. The Beta system has captured 70 per cent of the Australian market — because of superior technical attributes, says Parkinson.

But rival seller Richard Green, of Atlas-Majestic (agents for JVC machines) says that Beta sold better in Australia only because there was a lot of product dumping there as result of poor sales in other markets.

Retailers have their pet machines. One told *NBR* the Beta format was by far the most advanced, another that the VHS National set (which at $2900 is the priciest on the market) was the cream of the crop.

The situation is further complicated by Grundig-Philips machines from Europe, which use yet another type of cassette, and will retail for about $2700 or $2800. These are not expected to be serious contenders on the market, although an Auckland company, Harrier Video Systems, is setting up a marketing scheme for selling classic film titles for use on Grundig sets.

Managing-director Steven Draper said he had at least 100 film titles and that people could market video tapes by paying — $1000 agency fee, plus $800 for each master cassette title.

They can then sell as many copies of the movies as they liked.

"This is a once-only charge, and there are no fees for the number of copies taken," said Draper. They can, however, only be used on Grundig machines, which are not yet freely available. They should be in the shops soon.

Classic films are easier to market than new releases because copyright restrictions only last for 28 years. Draper is getting films from England and the United States. Titles include *The Thirty-nine Steps* (1935), Shirley Temple's *Little Princess* (1939), *Gung Ho* (1943), *Farewell to Arms* (1933) and *The Third Man* (1949). A few are in colour, and the most recent (1970) is the *Night of the Living Dead*.

The latter, relatively-new film slipped through copyright laws overseas because the producers neglected to cover themselves against video-copying. Draper said it was being marketed in the United States and Europe but he is not sure of the legality of selling it here and is seeking advice.

Clients are not flocking to join Draper's scheme. "Most people are being very guarded as they want to wait and see how the video scene will develop here," he said.

He is approaching TV rental companies to try to supply Grundig decks on a rental basis, and if all goes well will offer software as well.

"Forty per cent of Britain's video units are rented, and we think the market here will be similar," he said.

Video cameras, which range in price between $650 and $1200, are also selling well in New Zealand to those who want to make their own movies.

But a video expert told *NBR* that buyers would do well to consider the options before forking out on a camera, as well as the deck.

"Video editing is very expensive and is charged out at around $100 a hour. But you can have standard home movies edited on to video tape at a cost of about $25 for half an hour of movies," he said.

"Your average Super 8 home movie camera will produce film as good as a $12,000 professional video camera. And soon there'll be a device called a flying spot scanner, which will transfer movie film on to videotape, available for the home market."

The Canadian Broadcasting Corporation uses Super 8 to make doucmentary film, transferring it on to videotape afterwards, he said.

Commercial use of video units has been increasing rapidly in recent years with manufacturers, exporters and promotions people relying heavily on the new medium. It is much cheaper than professional 16-mm film making, averaging $300 a minute for videotape compared with $1500 a minute for 16-mm.

The American Express company recently commissioned a travel video film which cost $3000 to make, so that they could show prospective clients a brief video show on various destinations.

They sold 85 overseas tours in the first three weeks of use. Some real estate agents are using video machines to show home buyers available property on film instead of wasting time and money driving them around.

Retailers told *NBR* there were no problems hooking up VCRs to television sets for domestic use. But our expert, who did not want to named because he didn't want to be seen as knocking the market, cautions that some users may have to spend about $100 to have their sets modified to produce a first-rate picture.

He voted Sanyo and National sets (and he works for an independent organisation) as being the best TVs for video replay. Some of the others produced a "flag-waving" effect which needed to be corrected, he said.

It can be seen that to set yourself up from scratch to be in the video swim is an expensive proposition — around $1000 for a good colour telly, about $2500 for a VCR deck (although the cheapest on the market is Sanyo's $1995 set), plus around $1000 for a camera. And blank cassettes are $35 for 180 minutes worth of recording time.

Buying new-release movies — if you can get them from overseas, or second-hand here — will set you back at least $80 or $90 a cassette. So you're talking about something approaching $5000.

One bright spot is that because it has taken New Zealand so long to get into the video field, the sets available now are new-generation models and are unlikely to be superseded by anything vastly different, unless you are going to be worried about being outsmarted by America's other video plaything, the video-disc system.

But most videophiles are not worried. There is a shortage of suitable software, and video disc systems can only play, not record.

New weekly papers in lower North Island

by Hugh Rennie

TWO weekly newspapers are challenging existing papers near Wellington. Both have been started in the last three months.

In the Wairarapa, the Carterton-based *Clarion* is challenging the local daily for Wairarapa-wide coverage. On the Kapiti Coast, the *Kapiti News* has begun in face of the old-established paper, the *Kapiti Observer,* a member of the INL group.

INL also has a connection with the Carterton paper, for it is printed by the *Manawatu Standard,* a company now under INL majority ownership. But it is understood that INL has no involvement in the venture except through the *Standard's* machining of the paper on its di-litho rotary.

The *Standard* is printing from material supplied by the Pahiatua-based Carle Printing Co Ltd, a company established in 1981 by the family which produce Pahiatua's *Bush Telegraph* weekly.

The *Clarion's* proprietor, R J Woodfield, of Carterton, has a contract with Carle Printing to print the 24-page tabloid weekly, and Carle in turn has a contract with the *Standard.* The paper claims a free circulation covering Masterton and the boroughs and counties south of that.

Woodfield, a businessman whose other interests include a plastic bags factory and a health food shop, called in Hamilton-based newspaper adviser Gordon Chesterman after the *Clarion's* early issues brought some favourable public reaction but little advertising.

A series of defensive measures by the *Times-Age* and weekly Featherston *Chronicle* have been aimed at protecting their ad revenues, already under threat from the aggressive salesman of Radio New Zealand's local station 2ZD and outside pressure from the two Wellington dailies. The *Times-Age* already has some of the lowest advertising rates of any New Zealand daily.

A succcessful local weekly could spell real problems for the *Times-Age,* but at present the two older papers, produced offset, seem to be ahead of the rather amateurish and grey di-litho newcomer.

Meanwhile the *Kapiti Observer* has called the arrival of the *News* an "intrusion", and published some interesting McNair figures on its own strength in the market.

The *Observer* is the healthy tabloid survivor of several papers on the Coast. It absorbed some smaller papers, then passed from private ownership to the *Dominion* at the beginning of the 1970s, and fought off the *Evening Post's News-Shopper* until the two were merged on the creation of INL. It has since remained unchallenged on the Coast.

Since the merger, some local merchants openly looked for a publisher to start a competitor, when INL pushed advertising rates to more economic levels, and UPP's weekly *The News* (based in Levin) has covered Otaki and Waikanae at the northern end of *Observer* territory for many years.

Now the *Kapiti News,* launched by Wellington publisher Saville House Ltd, makes use of an odd fact — the presence on the coast of a web-offset newspaper plant owned by the Nelson *Mail.*

This contract plant prints the *News* locally, while the *Observer* — one of the few local weeklies to run colour news illustrations — is printed at INL's Taita plant. The *Observer* is a topical paper with a thorough local news coverage and obvious public support.

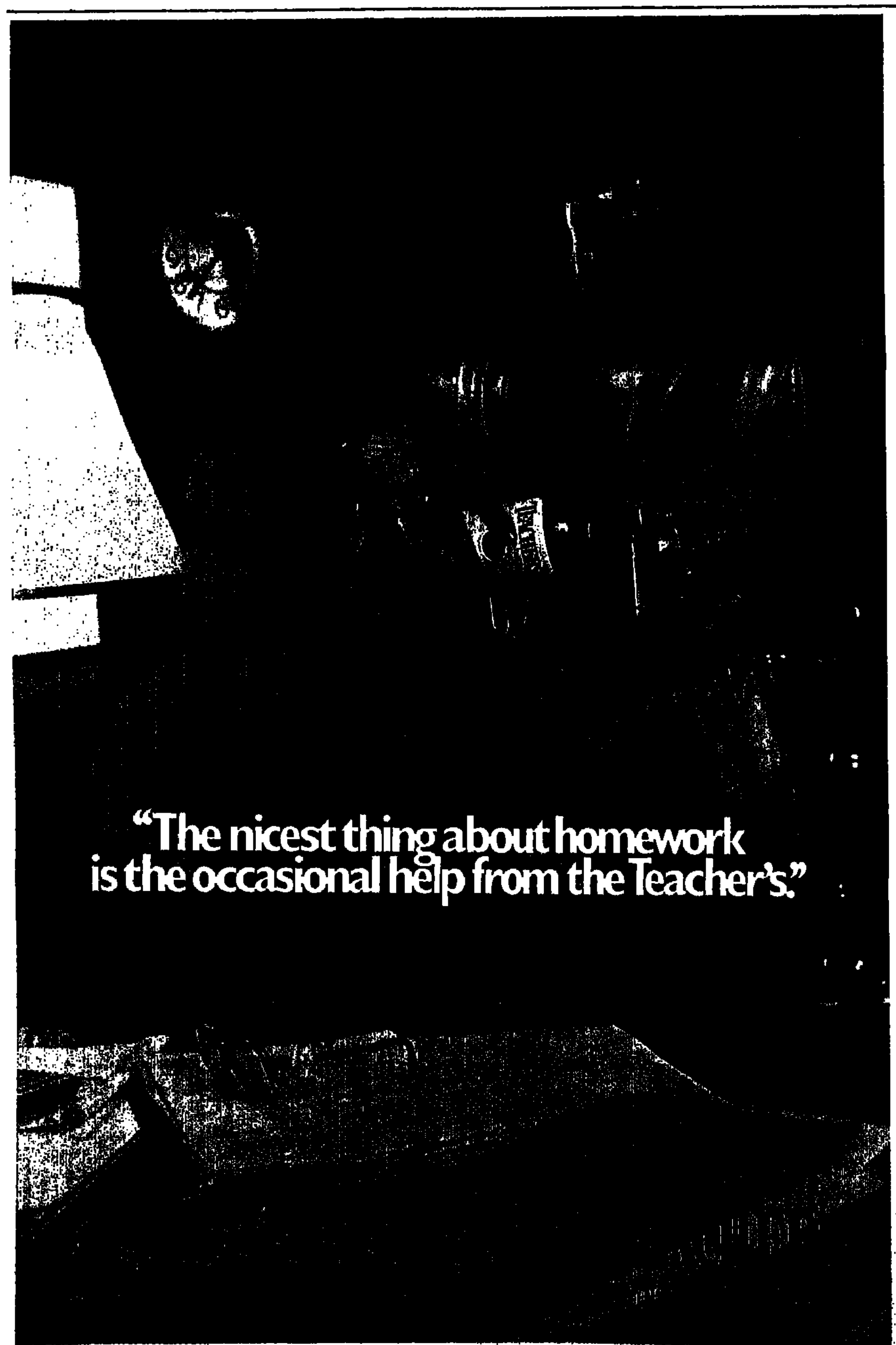
The McNair material released by the *Observer* shows a high readership for the paper. In women over 20 the paper scored 95 per cent, compared to 34 per cent reading a copy of the *Dominion* in the same period and 78 per cent an *Evening Post.*

For men over 20, the *Observer* again scored 95 per cent, but the *Dominion* readership rose to 39 per cent and the *Post* figure fell to 72 per cent.

The *Observer* managed a similar 93 per cent for teenagers, compared with 24 per cent for the *Dominion* and 78 per cent for the *Evening Post.*

For the *Observer,* "white collar" or "blue collar" status made no difference to the number reading the paper, at 96 per cent, but the *Dominion* scored 57 per cent of blue collar workers compared with 37 per cent white collar, and the *Post* figures were 66 and 77 respectively.

The *Evening Post* totals may be affected to some extent by the circulation of the Levin daily the *Chronicle* in the northern part of the *Observer's* area.



Marketing patriotism

MCMILLAN Ford car dealers in Greenlane, Auckland, are finding that a little show of patriotism doesn't do any harm in the marketing field.

The company's own "Kiwis Care" campaign began about 10 months ago when they put up some flag-poles to brighten up the dealership. McMillan has a customers' newsletter with a circulation of about 6000, and, says marketing services manager John Steele, "we often have bits in it about giving the Kiwi a rev. Our manager, Bob McMillan, and all the staff here are keen Kiwis."

The firm has commissioned a "Kiwis Care" logo — a thumbs-up sign on a New Zealand flag — and now uses it on all advertising.

"We didn't deliberately set out to make a noise, but we've had tremendous customer reaction. People come in and say that's the sort of spirit the country needs. It's now got to the stage where it's beginning to help with our sales and marketing efforts."

It produced an hour's free publicity on Radio Pacific recently when Gordon Dryden ran a "what makes a typical Kiwi" contest on air, after seeing a tongue-in-cheek list of attributes in the *Team McMillan* newsletter.

Some of the "qualities" listed were: "Is always asleep in bed by 11 every night, likes rugby better than any other sport and doesn't eat yoghurt but likes his kids to."

One of the better responses elicited from Dryden's listeners was "a Kiwi is a creature that wanders round on the first floor with its head down and its wings clipped."

Sky-high ads

THAT much abused word "laser", itself an acronym, has come to acquire a variety of connotations for various groups of people ranging from boaties to surgeons. Now admen will need to come to grips with a new application of Light Amplification by Stimulated Emission of Radiation.

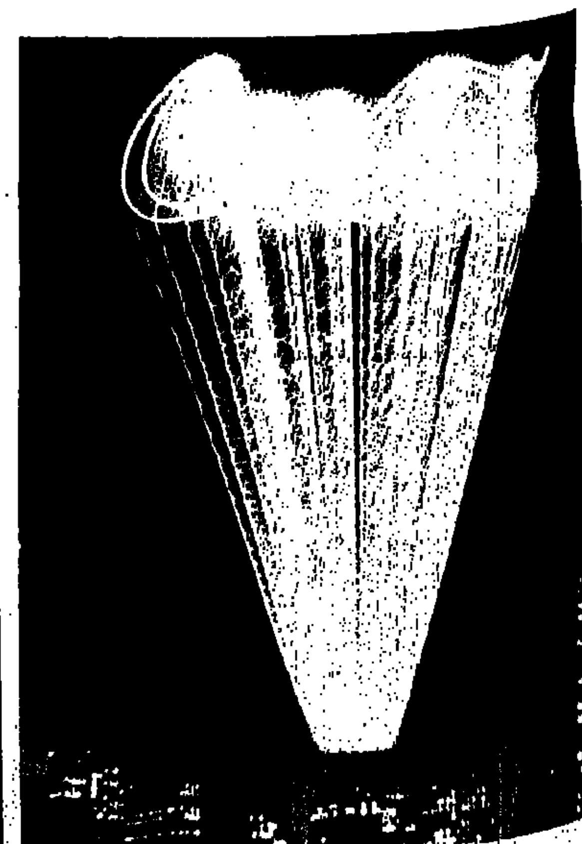
Dutch ingenuity has developed a new communication technique which makes it possible to project by means of two computerised laser beams pictures or texts on clouds, mountain slopes, walls or balloons.

By connecting a synthesiser or sound vehicle to the light projector, a striking visual and sound show can be created.

Although artists recognise the creative possibilities available in cultural demonstrations, equally advertisers recognise the impact of such a technique for advertising messages.

The system is called Skyliner and the promoters point to the opportunities for advertising to the crowds gathered at evening football matches, pop concerts and open air shows of all kinds.

In Holland, commercial time is sold within a complete laser show. Varying length commercials are available at a cost of approximately NZ$9 a second.



Media bulletin sets scene for more treats

by Grev Wiggs

IT seems that most agencies have this irresistable compulsion to go into the publishing business.

So we see a proliferating output of newsletter, research findings and media reports.

Most of it is pretty good stuff and, even better, it's free.

With the newly-established importance of media planning and buying, media gurus are committing to paper their ideas on dollar stretching and explaining to the less well-informed how the computer makes it possible to buy more audience for less money.

The less well-informed are badly in need of this information because, as it is, they have a hell of a time just trying to remember what the newest media jargon really means.

There are a lot of people who still think that tarps are nicked off the tops of railway wagons.

Now Dobbs-Wiggins McCann-Erickson has come to the party with the publication of a *Media Bulletin* which it is proposed to issue at regular intervals as the situation demands.

In case you bemoaned, in your role of client or hot agency prospect, the possibility that reading one more media bulletin would postpone your scanning of the ads in the latest *Penthouse,* please suspend judgment.

Media Bulletin a thundering good title) is issued over the hand of DWME's national media director, Barry Williamson.

The first issue, following the example of the part-works publishers who give you two copies for the price of one, was a bonanza, 53-page opus.

Williamson explains that "as an introduction to this new agency service, an analysis of media development over the period 1970-1980 and a preview of the technological changes to come, would form a good starting point".

And the analysis and the preview are both very well done.

It starts with a 10 year over-the-shoulder look at television, radio, cinema and print media. A matter of record but a good record to have.

We quote: "Radio, through a highly competitive environment, has established the most specialised media option in New Zealand, and probably the most professional, with an expertise that matches overseas counterparts.

"Radio has led the current re-orientation towards specialisation in media planning and buying, and is successfully winning a greater share of the media dollar that once was the exclusive property of television and newspapers.

"Radio is to the forefront of the "mix" versus "solus medium" rationalism that is currently occurring".

The bulletin goes on to discuss media research and rate increases current and future.

Another section is concerned with last year's restructuring of television, what was planned and what happened, and the effect on rate structures.

A further quotation: "The media scene in New Zealand is, to a large degree, in a transitional situation, moving from a mass-media/high-impact planning consideration into a more specialised segmentation philosophy that will complement the natural positioning of each medium within its market arena."

The last section deals with some crystal-balling, more specifically related to the local scene that most forecasts of this kind.

In all good plays Act 1 sets the scene, introduces the principal characters and starts the plot rolling.

Author Williamson has drawn the curtain, after thoroughly and painstakingly getting his act together, on what should prove to be an interesting and continuing story of media's place.

Jim Belich heads 4 As

J INGLIS Wright managing director and chairman, Jim Bilich, is now the president of the Association of Accredited Advertising Agencies (4 As).

As chairman of the national commission for IYC, he was responsible for the successful "marketing" of the International Year of the Child to the nation. He is also president of the national committee for Unicef.

He brings to his new role a strong commitment to the promotion of greater public understanding of the real function of advertising.

"In our understandable *preoccupation* with client needs, with the creativity and impact of our messages, we have defaulted somewhat in projecting the real image of advertising," he told southern members of the 4 As.

"Of course advertising is sometimes intrusive and sometimes irritating. So are the messages you use to communicate with your family, your kids. But the social and-commercial costs of not doing so far exceed those of communicating properly."

The advertising function in commercial communication is a necessary part of most economic activity, argues Belich.

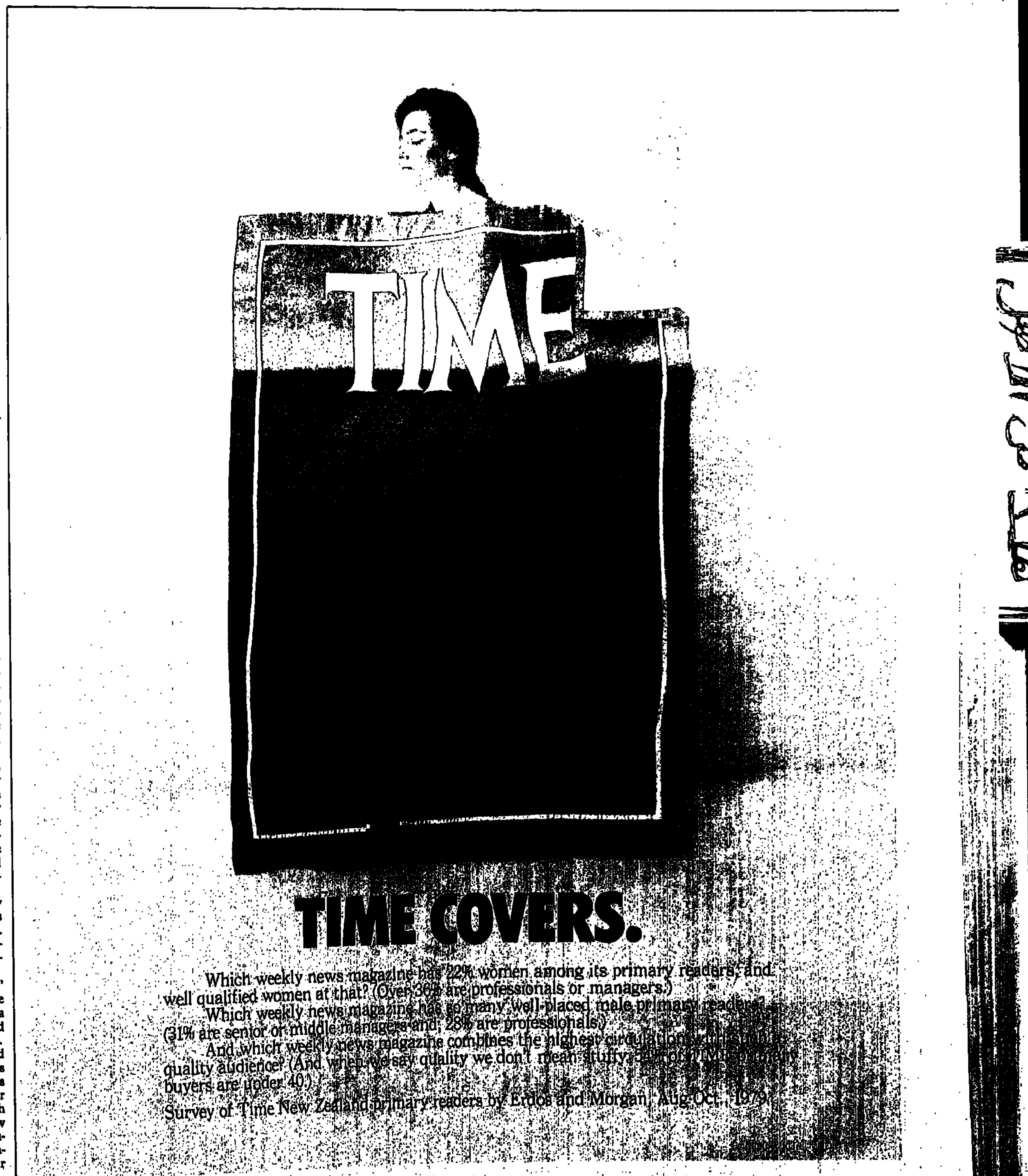
And he points out that the critics of advertising accept it unequivocally when it is used to promote the sale of our wool, meat and dairy products overseas — because we realise that the livelihood of us all depends on those sales.

"We need to be assiduous in countering unsound, unfair criticism of advertising's role in society and to strenuously resist all attempts to muzzle the advertiser's freedom to promote his product or service responsibly within the law and the codes of practice voluntarily established by the industry.

The level of voluntary restraint in New Zealand is higher than in most countries. We will continue to be responsible, responsive to the real concerns of society.

"This is our 30th year," Belich told *Admark,* and we start, for the first time, with a full-time executive director and our own fully equipped office.

"We will be better placed than ever to keep our relations with media and kindred bodies at a high level, to service our members fully and to cope with and adapt to the new technological and communications revolution that will inevitably become part of our future."



Management

Business course threatened by bursary clampdown

GOVERNMENT inactivity is threatening the base of the Otago University master of business *administration* course at a time when it is just becoming solidly established in international company.

The base is the students. Prerequisities mean most students are either highly qualified, or they are older and may have *family commitments.*

Merv Wellington . . . not of national importance, he says

This, in turn, means they may have used up their five years of state assistance for university studies, or they require a hardship allowance on top of the $23 a week bursary to meet commitments.

The Government has said no to an extension of bursary rights. On hardship bursaries — the problem hitting students in financial straits on the course — the Government, so far, has said nothing positive, and in the majority of cases, nothing at all, yet.

Single students who have heard back are getting a negative response to hardship applications. Married students have not heard yet, even though the course has been *under way for three months.*

The 18-month MBA programme is a demanding one, requiring an exhaustive 12-hour day, seven-day week to cope. Holidays are for catch-up, reading, research and study.

Course director Dr David Wright says, "there is precious little opportunity to earn money while on the course.

"People at this level just cannot live on $23 a week. Yet whole groups of students are not even being granted basic hardship relief.

"Some of these guys with families are really battling," Wright said. "They don't know where they stand, or even if they can continue the course."

If the position gets much worse Wright believes cancelling the course may be considered. "These people give up a hell of a lot to come down here," said Dr Wright, who went to plead the students' case recently.

"I thought we had the wheels in motion, but they still haven't heard a thing. If they don't get assistance soon we may as well shut up shop and go home."

Wright wants the hardship allowance clarified urgently. The wider issue of extending the term of a basic bursary is another issue, to be argued at a later date.

But one MBA student has already had a paper war with Wellington on his own behalf over this issue.

The student argued for special consideration on the established ground that the *course is of proven value to the* business sector and the country as a whole, and thus qualifies for extended assistance as a course of "national importance".

His case was based on none other than Prime Minister *Muldoon's written words.*

In a foreword to the course handbook, Muldoon writes of the "imperative" for better management.

"It is noticeable in New Zealand by contrast with other developed countries that a high proportion of executives and administrators have little or no formal training in business management," Muldoon wrote.

He said New Zealand had to manage its enterprises with greater efficiency and flexibility, and "will be better served in the future by managers who participate in training programmes at key stages of their career".

As Muldoon seemed to be arguing national interest, the student put pen to paper.

Education Minister Merv Wellington replied that in normal circumstances such grants ceased after a student had completed two courses or five years of study, whichever was the lesser.

Exceptions were made for recognised long courses, he said, "or where the course in which a person who has exhausted his study grant entitlement wishes to enrol has been designated a course of national importance".

"As the degree of master of business administration has not been declared as a course of national importance I regret that no further assistance can be offered to you," Wellington said.

The student persisted with a letter to Muldoon. He pointed out that Wellington's view appeared to be in contradiction with the things the Prime Minister had said in his foreward, and he asked for clarification of the Government's attitude towards the MBA course.

He got it. Muldoon said carefully that he agreed courses in business administration were important, but said the term "course of national importance" was used in the regulations with a very specific legal meaning.

Muldoon said while the course was important, "it cannot be compared with (say) degrees in mineral technology related to the development of oil, gas and energy resources."

Institutions with an interest usually made out a case to have their course designated in the interests of all New Zealanders, he added. "So far no such case has been made for your course."

The case may be put eventually, if the larger number of students suffering from slow decision processes on the hardship allowance are not forced to desert the course meantime, to join the managers who have "little or no formal training in business management".

Of indirect relevance, is the provision for bursary entitlement to be extended for a recognised long course. One such course, according to Wellington, is the B Pharm/M Pharm — at a time when the national body representing chemists is calling for a reduction in pharmacy students to protect the future of those already qualified.

Regional development

Failure of 'artificial' factory ventures lesson for South

REGIONAL development has taken a battering in the Deep South over the past 10 months with the collapse of two of its more prominent ventures, and the laying-off of 120 workers from a third after a fire.

Events in Southland do not mean that regional development is a flop, but they do mean that some of the earlier schemes were too optimistic.

They also mean creating manufacturing industries merely for the sake of utilising regional development funds, and thereby creating employment, away from the major markets, is a formula for failure.

Last July, Roydon Textiles (Southland) Ltd, a subsidiary of McKenzies before it was merged into LD Nathan, closed its Invercargill factory, and 45 women found themselves jobless. Only a few found other jobs.

Ironically, the Roydons factory was the first major regional development scheme introduced to Southland under the Labour Government's revamped proposals. A suspensory loan and transport subsidies were among the incentives.

The company had quite massive plans for expansion in its early days, but these came to nought when the costs of transporting cut materials to Invercargill for sewing and packaging and then transporting them north again, were added up.

Nevertheless, the closure came as a surprise and further evidence of Southland's disadvantageous distance from the major markets and the harmful effects of transport costs on goods produced in the province.

Earlier this year, Lane Walker Rudkin announced it would be closing its factory in Gore from May 8. Some 34 women were put out of work, and only 11 have found alternative employment.

In some ways, that closure was not unexpected. A few years ago, the same company actually built a factory designed for similar activities in Invercargill.

It never opened because regional development incentives no longer made it a practical proposition, such were the increased costs, mainly in transport.

Again with the Gore factory, goods were imported into the province, made into such garments as underwear, and transported north again. Significantly, the company called it quits soon after the latest announcement of railway increases, even though workers had been on a short week for months.

Early in April, a fire gutted the carpet yarn and dye factory of Matheson International, a subsidiary of UEB Industries, at Kennington, a few kilometres from Invercargill. The plant had started operations in 1974, and was a significant employer.

Within a week, the company announced that it would be laying off its 120 staff because it seemed uneconomic to rebuild, in spite of the building and equipment having full insurance cover.

The lead time to build such a factory would be about 18 months, and in the meantime, it was doubtful whether the markets would still be there.

Once again, however, familiar arguments arose. The distance from the major markets was one of the reasons given for the hesitance of the company to commit itself to rebuilding at this state. Transport costs can only get worse.

An employment centre was set up, and some 60 people have since found work again, mainly men.

All three concerns had fulfilled their obligations for supensory loans, one of which is five years of continued operation.

Nevertheless, the Southland Regional Development Council, while conceding that little could be done about Roydons or LWR, has written to UEB Industries asking that every consideration be given to rebuilding.

Several hundred thousand dollars of comparatively cheap regional development finance was made available, and the council is asking that every consideration be given to re-establishment, particularly in view of the employment opportunities that would be lost.

While the carpet tufting factory had its basic source of wool readily available close by, the other two factories did not have a local base for their raw materials.

And it is also significant that regional development projects approved in Southland over the past year or two, have, in the main, been distinctly local in both raw materials and final product.

The latest figures available for the year ended March 31 last year show that 23 projects qualified for assistance worth $555,861.

The projects had a completed value of $4,197,251, and offered 129 additional permanent jobs, plus 30 seasonal jobs.

Eleven of the 23 were granted suspensory loans, and among them were three engineering projects, only one clothing and manufacturing, four agriculture processing, two fish-processing, eight horticulture and agriculture, one jewellery-manufacturing, one regional transport and one water for export.

The Development Finance Corporation has advanced loans totalling more than $16 million in the province since 1973, and its policy on similar projects is undoubtedly the same as the regional development council.

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Leisure

Millionaire golfers who may have won World War II

by **Roger Paul of the** *Financial Times*

JECKYLL Island, off the coast of Georgia, in the United States, is a tiny, unassuming place, near the unprepossessing town of Brunswick.

It is famous, nowadays, as the place where Andy Bean first learnt to wrestle with alligators and to bite golf balls in half. He also, at the age of 15, used to be the despair of the golf range operator by successfully taking on bets that he could not hit a ball over the hedge at the end of the range, some 280 yards away.

Bean has since left Jeckyll to make a small fortune on the United States professional golfing tour, and the island's notoriety has reverted to its past. A notable past, for Jeckyll Island could quite possibly be the reason why World War II was won.

The story goes back to the late 1800s, when a group of the world's wealthiest men, John Pierpont Morgan, William K Rockefeller, Joseph Pulitzer and Everit Valentine Macey, decided to try and find the ideal holiday resort.

They wanted to get away from the cruel winters of New York, to somewhere isolated, equable and healthy. They found it in Jeckyll.

The Jeckyll Island Club they founded had only 100 members. It was estimated to represent one-sixth of the total wealth of the world, and a glimpse of their life styles makes that claim seem more than likely.

At the time, J P Morgan owned a yacht. It was 343ft long and spawned the original, much-copied remark by Morgan that "if you have to consider the cost, you've no business with a yacht".

When it berthed a cannon was fired, the club attendants in their blue and gold uniforms ran down to the jetty and stood to attention as the great man came ashore. When he went riding, he would inspect his horse wearing white gloves. He would wipe the horse's flank with his hand and if the glove was besmirched, another horse would be sent for.

William K, the younger brother of John D Rockefeller, built a cottage on the island with 25 rooms, 10 of them with bathrooms. Richard Teller Crane spent $500,000 on his home — in 1916.

Pulitzer, at the time of his membership, was going blind and was extremely sensitive to noise. His home was near the jetty and one day he told the captain of a dredge, which worked continuously while the club was open, "if you don't blow your whistle when passing my cottage, I'll give you $100 a day."

Where there is wealth, there is frequently eccentricity, and the Jeckyll Island Club had its share. McEvers Bayard Brown, for instance, who was one of the world's wealthiest bachelors, found a fiancee, only to be jilted. He set sail in his yacht, finished up in Essex, England and waited there for the word that his loved one had changed her mind.

He kept the yacht's crew of 18 on daily alert, for 36 years. In that time the yacht never put to sea and any employee who even mentioned America was instantly sacked. He died forlorn.

The first thing the Millionaires Club, as it became known, did was to build a golf course, and they played upon it until one fateful day in April 1941.

The millionaires were on Jeckyll in force when, quite suddenly, a German submarine surfaced in the channel that runs between the island and the neighbouring St Simons. It recharged its batteries and was never seen again. But within 24 there was not one millionaire house left on Jeckyll.

The Government, fearful of an abduction of half the nation's wealth, ordered immediate evacuation, and the United States Coastguard implemented the order within a day. They were too late for some, it is said, who cleared the island in 20 minutes flat. Houses and possessions, anything which could not be carried, were abandoned.

Germany could not have done anything better-designed to anger the most powerful men in America, and within six months the country was at war. The rest you know.

It was the end of the Jeckyll Island Club. Liveried flunkeys were hardly appropriate in the postwar climate, nor were 343-ft yachts, and the millionaires sold their island to the State of Georgia.

The club shut, and for a while Jeckyll went into a decline. The abandoned houses were broken into and looted, and part of America's heritage was allowed to rot.

Then someone realised what those millionaires at the turn of the century had realised. Here was an island resort that simply demanded to have golf played on it.

So they set about building a golf complex which now consists of three 18-hole courses, all of which start and finish at the same clubhouse, leaving nine holes of the millionaires' unique and highly original course intact.

The full circle has, in fact, been turned. Now anyone can play golf on Jeckyll. To play in shirt sleeves the year round, in a setting that attracted the wealthiest men in the world only a few decades ago, is worth a great deal more than it costs.

I don't suppose he cares, but the world in general and golf in particular, has a great deal to be thankful for to that German U-boat commander back in April 1941.

From Page 26

Strong, locally-based companies using local materials for producing goods or services for proven markets within the province or New Zealand or for export, have the most chance of success.

The recent events prove that business created for other reasons, such as easing unemployment, may succeed in the short-term but in the longer-term, they will almost inevitably have the opposite effect.

Resource development

Resource development

Investment on the grand scale — but other side of the coin is big-league debt burden

THE Governor of the Bank of England, Gordon Richardson, made some telling points about the British development of the North Sea oil fields in the annual Ashbridge Lecture in London last November.

His conclusion: ". . . taking account of what we have had to pay to develop the North Sea, we are not better off than we were 10 years ago, when we imported oil at much lower world prices."

In New Zealand we are about to embark on a major programme *of energy industrialisation, calling for large capital investment.* Is the North Sea argument relevant to our Think Big (or Think Growth, as the Prime Minister has now decided to call them) projects?

NBR reporter Allan Parker, in a series examining the big projects and their implications, this week looks at the investment issues.

"I MUST be successful — I owe everybody money" . . . throwaway line on a novelty notepad holder.

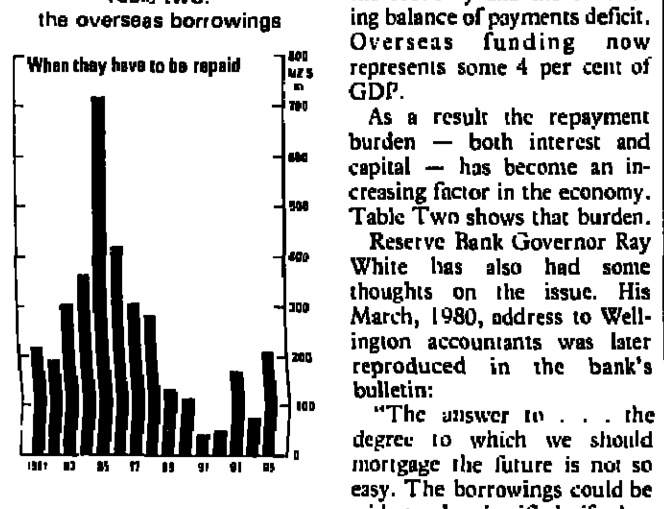
Heavy overseas borrowing throughout the latter half of the 1970s has mortgaged our future, critics of the policy claim. Will the Think Big projects, then, mortgage our children's?

The scale of investment in such a concentrated number of industries over the next 10 years is worrying many sideline observers.

The Government admits the programme calls for the heavy reliance on overseas financiers — either as debt or equity participants — to pay for their development from drawing board to on-stream production.

Precise figures are difficult to pin down. Politicians, academics, and economists have had a stab at it, ranging roughly between \$5 — \$8 billion. Undoubtedly, these costs will rise — witness the proposed Mobil gas-to-gasoline guinea pig plant in Taranaki. It started out at \$500 million, went to \$750 million and is now estimated by some observers to cost more than \$1000 million.

Table two:
the overseas borrowings



High internal inflation, specific project cost escalation and continuing creeping devaluation are pushing up the costs of the projects all the time. Big wage demands will add to the burden as construction gets under way.

One senior Government official has said privately that devaluation, for example, is adding \$2 million a week to the Mobil plant costs.

A leading Auckland design engineer says "a three-year construction period in New Zealand at today's prices will mean a likely price escalation of 40-50 per cent".

The Rand Corporation has concluded that cost over-runs on large scale energy projects in the United States "are typically 300 per cent, in constant dollars, for first of a kind energy process plant".

And one of Wellington's financial leaders has described the energy programme as a "horrendous gamble" by a Government "playing politics agains economics".

So although difficult to quantify, the capital investment for these ambitious development programmes is large by New Zealand standards, particularly as the money will be spent on relatively few projects.

Clearly, the New Zealand capital market could not satisfy the demand. The compressed time-scale and need for finance in other areas of the economy means a large proportion of the capital will have to come from abroad.

Indeed, a major worry for the economy is the decline in investment into productive areas generally. A depressed home market and inflation-created high interest rates have swung investment into more speculative areas.

There is no doubt that a substantial increase in the rate of productive investment is needed, which must be provided by a much higher rate of domestic savings.

Table one illustrates the decline in home-based savings over the last decade. Domestic capital formation has fallen to 18.2 per cent of gross domestic product in those 10 years from a 1971/72 figure of 24.9 per cent.

Countries that have experienced rapid economic growth such as Singapore, South Korea, Taiwan and Hong Kong have followed the same trend — but in the opposite direction. That is the dilemma facing New Zealand.

The table also illustrates the increasing dependence on overseas investment to sustain the economy and the continuing balance of payments deficit. Overseas funding now represents some 4 per cent of GDP.

As a result the repayment burden — both interest and capital — has become an increasing factor in the economy. Table Two shows that burden.

Reserve Bank Governor Ray White has also had some thoughts on the issue. His March, 1980, address to Wellington accountants was later reproduced in the bank's bulletin:

"The answer to . . . the degree to which we should mortgage the future is not so easy. The borrowings could be said to be justified if they enable policies to be followed — both in the Government and private sectors — which result in increases in production of sufficient amount to enable the debt to be serviced while leaving New Zealanders at that time no worse off than they would have been if the borrowing had not taken place.

"No one will ever know whether or not this criterion has been met so the policy must be a serious constraint on future production and at the same time to increase the productivity of labour and capital by every available means.

"Further borrowing is inevitable in the short term, but it is clear that we should reduce the amount we have to borrow for normal balance of payments reasons as quickly as possible.

". . . the only satisfactory answer is to increase production by New Zealanders using New Zealand resources and at the same time achieve the necessary change in the export-import ration. Finding a way to achieve the first part of this solution, difficult though it may be, becomes more important day by day."

The imported capital content of the big projects will add to this already significant payback problem. Prime Minister Muldoon likes to separate the big projects and general investment.

The big projects will be built with borrowed "project finance", whereas investment in agriculture, small business and other sectors will come from "the general pool" which would, in turn, be built up from the surpluses created by the big projects.

Energy Under-secretary Barry Brill elaborated on the Government's thinking on project finance to *NBR:* "The project financing is dealt with on a different basis to overseas borrowing that finances a budget deficit."

The deficit borrowing, he said, is viewed as working capital and "the fact that New Zealand will be building up large project debts should not necessarily be a constraint on working capital".

To make sure the message is spread among money circles around the world, the Government's US bankers have been instructed to tell international financiers about the projects.

In particular, said Brill, they are being told "not to confuse the projects with the balance of payments issue".

The success of the Government's gospel is evidenced by the fact that there would now appear to be no shortage of overseas financiers keen to provide capital for the major projects.

US banker Fred Wittemore, *from New York's Morgan* Stanley and Co Inc, told a New Zealand audience at the end of April that "the finance is available — its just a matter of the people here getting them (the projects) underway".

Not unnaturally, Muldoon agrees; a few days later he said there was a queue of bankers lining up at New Zealand's door with project finance.

Like the final cost of the projects, their imported capital content is hard to quantify. But it will be substantial.

The Planning Council's Eric Haywood, by adding indirect import costs such as subcontractor plant, thinks the imported content will be about 75 per cent of the project costs.

The New Zealand Institute of Economic Research puts direct import content at 50 per cent with indirect imports on top.

Whittemore reckoned some 70 per cent of the total investment would need to come from overseas. He said New Zealand would have to face up to deficit financing on a greater scale than ever before.

Whether overseas financing is for "project finance" or "the general pool", the effect will still be felt throughout the economy; certainly, the Government effort to separate them cuts no ice with a number of bankers and economists spoken to by *NBR*.

The end result, they say, will be the same: an increased debt burden that must filter through into other sectors of the economy.

Again, no experts are able to quantify the level or time-scale involved in repayment of both interest and capital. The Institute of Economic Research, for example, has been able to go only as far as this: "In essence, the initial resource burden of getting the projects under way is eased by overseas borrowing, but at some real future cost."

Table One: Investment as percentage of GDP

	Capital Formation			Financed by	
	Fixed	*Stocks*	*Total*	Domestic *Funds*	Overseas Funds
1971/72	20.6	4.6	25.2	24.9	0.3
1972/73	22.3	1.4	23.7	25.4	-1.7
1973/74	22.6	3.9	26.5	25.4	1.1
1974/75	25.7	9.5	35.2	21.2	14.0
1975/76	27.2	3.1	30.3	21.3	9.0
1976/77	25.1	5.1	30.2	23.9	6.3
1977/78	22.1	4.1	26.2	21.2	5.0
1978/79	20.2	1.8	22.0	19.1	2.9
1979/80	18.5	6.4	24.9	21.2	3.7
1980/81 (est)	17.5	4.7	22.2	18.2	4.0

The nation has been given a political vision that says we will be building these projects over the next decade and by 1990 we will be able to sit back and reap the benefits.

But there remains scepticism in financial circles about that end-of-decade time-scale.

The debt burden, for instance, will eat up a large slice of the net foreign earnings. Profit repriation will also eat into the earnings potential. And companies may decide to hasten their repayment schedule.

All three will channel earnings away from the main aim of the projects — to rid New Zealand of its long-running balance of payments deficit which is viewed, along with inflation, as a critical economic depressant.

The form of overseas financing is important, too. The debt or equity question.

Don Brash, in the Planning Council's *Investment Issues*, provided this analysis of the two: "On the face of it, borrowing overseas is clearly a preferable way of getting access to overseas capital: the rate of interest payable is likely to be lower than the rate of profit, and borrowing involves ceding little if any domestic control over the economy.

"But the two ways of getting access to overseas capital are fundamentally different, and cannot be compared in this simplistic way.

"Foreign investment (equity) almost never gives access to capital alone: usually foreign investment brings with it access to technical and managerial know-how, and often access to markets also.

"Indeed, where foreign investment provides none of these extra benefits, the rate of profit earned on it rarely exceeds the rate of interest."

Brash concluded: "An additional factor to consider is that the amount which New Zealand can borrow in world capital markets is not unlimited. We have an excellent reputation in those markets, and rightly so, but it would be unrealistic to expect them to provide all the capital we can use productively.

"This emphasises the point that the issue is not equity investment *or* borrowing, but equity investment *and* borrowing."

Direct foreign investment between 1974-80 totalled \$1339 million (See Table Three). In contrast, gross overseas debt rose by nearly \$1 billion last year alone.

Table Three: Sources of foreign investment (\$NZ millions)

Year	*United Kingdom*	*Australia*	*United States*	*Canada*	*Japan*	*EEC*	*Asia & Oceania*	*Other*	*Total*
1974/75	54.6	57.3	33.7	11.7	12.7	0.7	2.5	6.5	179.7
1975/76	29.2	38.7	23.7	3.8	9.4	6.7	-2.9	6.2	114.8
1976/77	100.6	92.1	58.8	4.8	12.3	4.5	0.9	4.9	278.9
1977/78	97.8	75.4	-14.5	0.9	-2.7	-5.5	5.4	2.4	159.2
1978/79	203.4	27.1	37.4	0.1	-9.4	2.0	2.5	0.8	263.9
1979/80	136.1	99.5	89.6	11.9	-12.0	10.7	-2.3	9.2	342.7

NB Minus sign (-) indicates investment outflow.

Direct Investment figures made up of: holdings of paid up capital; inter-company indebtedness; reserves; net branch assets and other investments.

To date, there have been no indications that equity financing (which also encourages the retention of capital rather than prepatriation) will be the dominant form of big project financing.

Another consideration in any examination of the investment issues surrounding the big projects is the increased competition for capital generated by such a vigorous development programmed.

Like other areas such as labour, Australia will be a strong competitor for international finance to pursue its own development projects. Already it is looking to Japan as an alternative source of supply.

The chief economist of the ANZ Banking Group, Alister Maitland, recently said Australia is facing a similar situation as New Zealand.

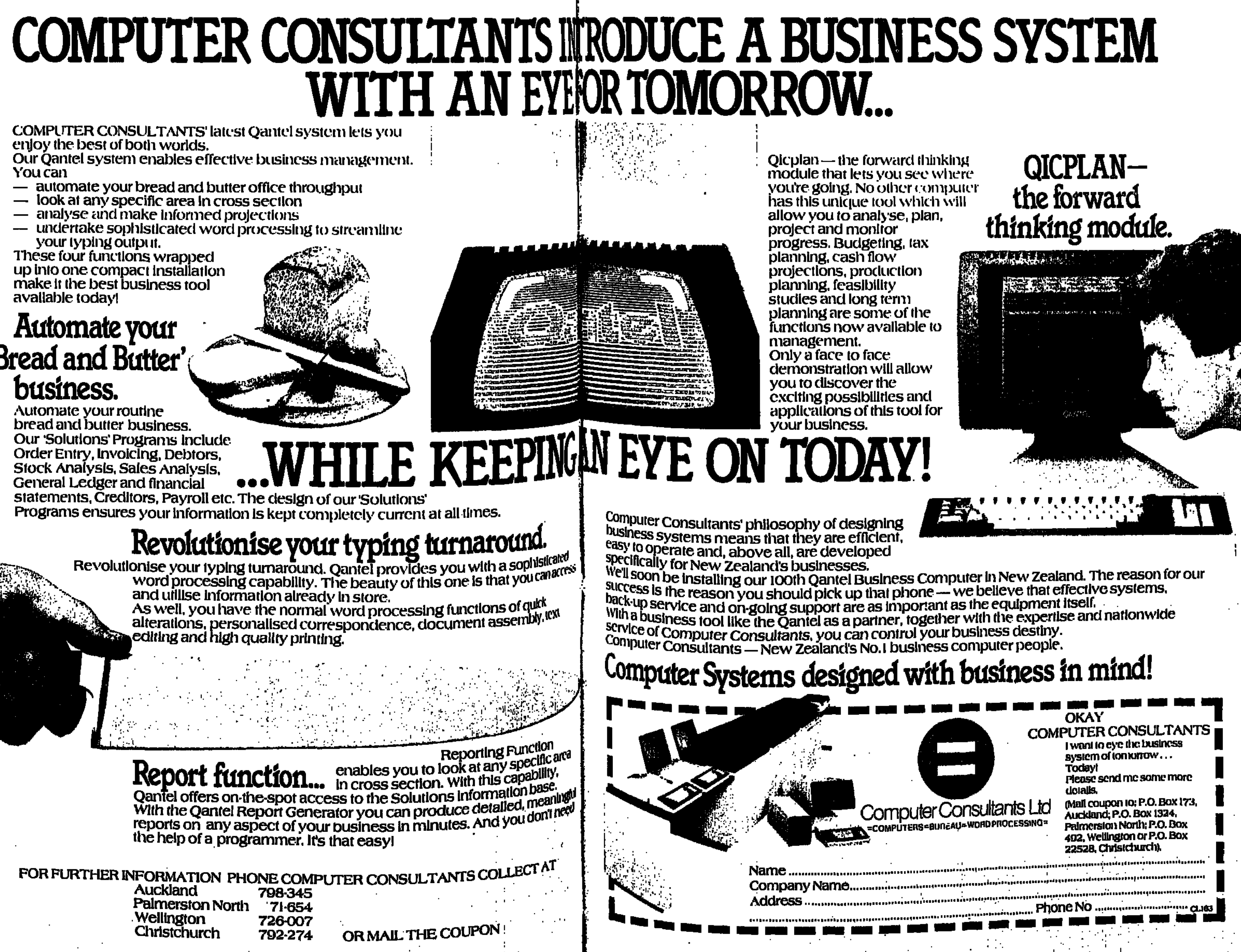
The major financial restraint on Australian development ambitions will be the ability of the economy to absorb the large quantities of capital.

And, again like New Zealand, other sectors of the internal economy will be in competition for what finance is available domestically.

Will demand from the big project developers dry up investment finance sources for other sectors of the economy? What effect will the increased competition for capital have on already-high interest rates?

The Think Big proponents are undoubtedly relieved that these questions are unanswerable. The impact of the projects cannot be guaged accurately until the theory becomes the reality.

NEXT WEEK: Ten years on — did we make the *right* decisions today?



Government administration

The business side of government: why it is necessary

IAN McLean has obviously gained some valuable insights into how government departments work, through his membership of the parliamentary Public Expenditure Committee, and in particular through his chairing of the subcommittee which examines financial management in various trading departments. But what has he found?

On the positive side, he notes the "good quality of staff employed" and "the high standard of professionalism." "No one was fiddling the books and the cash was all accounted for". The difficulties were that "the good people in state trading departments are working with their hands tied".

This does raise the question as to why McLean and others who have the ability to untie the hands of the good people have not done so. His arguments revert to the suggestion that the major problems "lie in the very basis of state departments and are therefore insoluble while the business remains a department of state".

Let us examine those specific aspects of state departmental operations that he sees as creating these insoluble problems.

"Departments are responsible to Parliament for the detail of their operations". It is curious, to say the least, to find a member of Parliament itemise this factor as a disadvantage.

May I venture to suggest that the anti-red tape bandwagon has begun to roll for one very simple reason: there is a conflict between allowing private organisations freedom of action and regulating their actions so that they do not rip off consumers, escape their tax obligations, despoil the environment, and so on.

The traditional way of resolving this conflict has been to regulate the activity of the private concern. It is so difficult to regulate these activities that the regulatory mechanism becomes extensive and is seen to be cumbersome and trivial.

Direct control of operating decisions has the single advantage of allowing the various conflicts between, for example, jobs and the environment, profits and consumer prices, service and economic viability, to be resolved without going to the lengths of promulgating numerous regulations that say what can be done and what cannot be done, and who has to be appealed to to get permission to do it or to get authority to stop someone else doing it.

The maintenance of some sort of balance between conflicting objectives and conflicting interests is the task of government. Governments can do this by regulating or by doing things themselves.

If they try to encourage independence from parliamentary control by establishing companies to undertake state trading activities, they will end up having to regulate these companies to ensure that they do not operate against the more widely defined public interest.

There is then an ironical outcome that the "freeing" of activities by establishing companies sets up the need for more complicated regulation of those same organisations.

"Trading departments have to abide by the same rules as other departments. . . . while they are part of the departmental system." That is fairly vague because it depends very much on how the phrase "part of the departmental system" is interpreted.

In NBR (March 2) Ian McLean, MP, made the case for transforming various state businesses into corporations or limited liability companies as soon as possible.
In this letter to the editor, Barry Tucker, general secretary of the Public Service Association replies.

It is quite clear from the book, *Government Accounting in New Zealand*, by David Preston, that:

(a) Trading departments have a very different set of procedures to follow from other "administrative" departments; and
(b) There is scope to allow branches of departments that do trade with the public to operate in a different way, provided that public acounting systems are revised to take account of the special needs of specific government activities.

Ian McLean . . . remedy in his hands.

If the existing accounting system is too rigid, then it must be changed. A more adventurous and far-sighted approach to financial and accounting management could well occupy the minds of politicians with good effect. It may be a complex task, but that is not a sufficient reason for not tackling it.

"State departments are run by bureaucrats". The implication behind this criticism is that large corporations are not. Quaint notions of the past "golden age" where innovative risk-takers set up their businesses, made the decisions, took the risks and supervised the operations of the enterprise, may well have a romantic appeal to some; they do not accord with modern-day commercial reality.

One only has to look around at some of the massive corporate planning mistakes that have been made in the international motor vehicle industry to appreciate that corporate bureaucracies can generate failures approaching the level of disaster.

Inevitably they come running to governments for a healthy dole out of taxpayers' money, for some form of protection, for subsidies or guaranteed loans, and so on.

Corporate bureaucracies can impose a massive cost on the tax payer. They have in the past, they are doing so at present, and they will continue to do so in the future in various parts of the world.

These are the facts of life, and surely policy should be based on a firm understanding of reality rather than on a hankering after a dream.

"The taxpayer quietly picks up the loss from state trading departments". Not so quietly, in fact. The great advantage of having trading departments located within the state is that the size of profits or losses, developing financial structure, and the causes for those losses, are matters for public record and for public debate.

The difficulty with corporate activity is that remedial action is sought very often at the level of disaster. The taxpayer's ambulance is always at the bottom of the cliff; the taxpayer's carpenter never builds the fence at the top.

If McLean is worried about "generous underwriting" of state trading department losses, he would be horrified at some of the bills that are being presented to the British and American governments at the present time by companies that are sustaining big losses but which have to be kept going for employment and export reasons.

The "public servant image" . . . they have their uses

In New Zealand the levels of subsidy that are in many ways hidden through tax concessions, incentives, generous electricity supply tariffs and so on, should be taken into account before the rather bland and unsubstantiated statement can be made that state trading departments pass the loss on to the tax payer whereas companies do not.

It all seems to be not much of a case to answer. The disturbing aspect of politically trendy, quick-fire solutions is that there are some aspects that have been left out of the debate.

The first concerns capital funding. Successful state enterprises have usually had two characteristics: they have taken a large amount of capital to get established and revenue returns have come on stream after a long period of time. McLean's own example of the Forest Service is a case in point.

The state is in an ideal position to fund capital development in these vital areas, but a company would soon come up against a borrowing constraint if its prospects for earning revenue to service loans were limited in the medium-term.

The company-type approach would tend to cut out longer-term development and reinforce the short-sighted obsession with immediate returns.

If it had been followed in the past, the forest resource would probably not exist at present. If the philosophy is adopted now, who can tell what resources will not be developed for the future?

The second issue concerns the bearing of risk. State trading departments allow a spreading of risk across a number of enterprises and make that risk bearable.

Companies with a defined area of interest and activity would simply not undertake various projects because each project could, in itself, constitute a higher risk than the company could be prepared to bear.

Finally, there are a number of "non-commercial" activities that are undertaken by all state trading departments, such as the funding of research and development projects that are of benefit to the industry as a whole and those that are of "high-risk" in commercial terms, and the provision of free or subsidised social and commercial services.

In another source, McLean suggests that these activities can be entrusted to independent enterprises through a suitable statement in the articles of the company.

There are two problems here. An essentially political decision is being transferred — *unreasonably in my view — to a* company management.

Secondly, where there is a conflict between service and profit — which there inevitably will be — the "bottom line" will determine the decision. The service side of state trading operations will be emasculated.

There are problems with some state trading departments. McLean recognises a few of them. "We found a grave shortage of qualified accountants". The solution here may require the state to upgrade its pay structure so that it can recruit a sufficient number of suitably qualified personnel.

"The total staff employed are subject to a staff ceiling". McLean doesn't add that the staff ceiling is also shrinking by administrative fiat. The remedy is in the hands of the Government!

He also notes that some management accountancy systems were inadequate. Again, vision and reform can equip the state to play its role in looking ahead, bearing the risks, balancing diverse interests, and creating a prosperous harmonious and progressive economy, capable of responding to the diverse needs of the members of the community.

That is the real task of government. If the government cannot face up to those tasks, the question has to be asked as to whether or not it really *has* the will to govern.

Way-out Wolfe reaches new heights with space saga

by Gordon McLauchlan

SPACE travel — off the current affairs agenda for most of the 1970s — made a dramatic re-entry into public consciousness a few weeks ago with the successful start of the space shuttle project.

Which makes right now an appropriate time to revive an interest in the beginnings of the space age, the Project Mercury years, with a most extraordinary book, *The Right Stuff* by Tom Wolfe.

Wolfe was the whizz-bang psychedelic kid of American journalism in the 1960s and early 1970s who authored such verbal extravaganzas as *The Kandy-Kolored Tangerine-Flake Streamline Baby*, then *Mauve Gloves, Madmen, Clutter and Vine* and *Radical Chic and Mau-Mauing the Flak Catchers.*

New Zealanders, reeling from the impact of these titles, were never the fans of Wolfe that sophisticates became in America and Britain.

About five years ago, he started researching the early days of the space race and the background of the men who became the original astronauts.

Last year, he published this warm, bubbling book that moves at the pace of a Redstone Rocket and pushes journalism right through the boundary of the novel, always probing imaginatively to understand the feelings and motivations of the men who had that slightly crazy component, *The Right Stuff.*

The way to the sky in the first place was paved by a disparate group of eccentrics bouncing out of unmown paddocks by virtue of a combination of mechanical wizardry and derring-do aboard spindly contraptions held together by wire; sometimes not holding together.

The door to space was eased open by engineers and scientists in white coats firing chimpanzees and astronauts precisely into orbit round the earth.

The thumbs-up, chocks-away, devil-may-care image of the aviator lasted until well after World War II but somewhere, gradually, he became more sober, more mathematical, less intuitive.

When the first astronauts were assembled, their image was purposefully blanded by skilled public relations practitioners into a smooth *Readers Digest* type of plastic, American nice-boy perfection.

It wasn't like that really at all. Wolfe tells the rivetting story of the talented and very human jet jockeys who rode the first American rockets into the yonder beyond the wide blue yonder.

They were, in fact, a macho group, selfish, devout daredevils, apart from the less likeable of them, stolid Presbyterian John Glenn.

But not less interesting are the groups of pilots most of the astronauts sprang from, the men involved in the X-15 rocket project that at one stage may well have been chosen ahead of Mercury for the thrust to put Americans in space.

One of them, Chuck Yeager, went through the sound barrier before the British, according to Wolfe, but his feat was classified.

In the early days of Project Mercury, these X-15 pilots who actually flew their rockets despised the astronauts as passive instrument readers who didn't need to have the right stuff.

And these pilots scorned their colleagues when it was announced that chimpanzees would make the first suborbital flights both beyond the rim of the atmosphere and later in orbit.

Tom Wolfe . . . brilliant.

But superior public relations and uncontrived public adoration triumphed and the Mercury men, figureheads of the campaign to haul back Russia's lead in the space race, earned unchallengeable status as their country's number one band of heroes.

Thanks to Wolfe, men like Glenn, Alan Shepherd, Gus Grissom, Gordon Cooper, Scott Carpenter, Pete Conrad and Deke Slayton, and some of their wives, become characters as vividly drawn as any hero of a novel, and as compellingly planted into a reader's imagination.

The Right Stuff is a big, brilliant book that may ultimately wear readers out with its verbal pyrotechnics but not before it has gripped them, entranced them and illuminated them.

If recording contemporary and near-contemporary events is journalism, then ask me who is the world's champion journalist and I will cry Wolfe.

The Right Stuff, Bantam paperbacks, NZ price, $5.50.

Ken Fletcher gets industry's highest award

IN recognition of his contribution to the plastics industry, Ken Fletcher, an associate member of the Industries Development Commission, has been awarded the highest accolade the industry can bestow.

The Baekeland Award, named after Belgian-American chemist and inventor Leo Baekeland, was presented to Fletcher for his more than 35 years of service to the local plastics industry .

Fletcher began his career in plastics shortly after World War II while working for the New Zealand Glass Company. At that time, he said, the company had a small interest in plastics, mainly compression moulding.

A realisation that plastics would become an important industrial material in years to come prompted Fletcher to investigate plastics further, and his new found knowledge of the material led to his appointment as manager of AHI Plastics in 1949.

Under Fletcher's direction, the company moved into the plastics extrusion field and scored a New Zealand first, in producing extruded black water piping.

He was elected president of the Plastics Institute of New Zealand in 1957.

"The industry at that stage, had started to become quite sophisticated, but efforts to gain wider recognition for plastics and particularly plastics workers, were negated by the lack of provision for people involved with plastics to belong to any industrial union," he said.

Fletcher was the driving force behind gaining initial acceptance of the use of plastics materials in this country, and gaining access for plastics workers to belong to the Engineers Union, a move that has had on-going benefits for the industry.

His knowledge of the needs and aspirations of the industry led to his appointment and a subsequent 11-year term — as industry assessor for all award matters concerning the plastics industry.

During this time, he was responsible for the introduction of standards for plastics and piloted regulations for dust hazard explosion control in factories, something that was of great concern in the early days of plastics use.

In 1959 Fletcher become a partner in the Auckland-based company, Clearlite Plastics Ltd, "and witnessed the industry's transition from a gimmikry era, into a sophisticated, high-technology and vital manufacturing industry."

His knowledge and understanding of the industry led to his appointment as an associate member of the Industries Development Commission, during its survey of the plastics industry.

In presenting the award, John Mason said Fletcher's contribution to the New Zealand plastics industry were equal in relative terms to those of the person the award is named after.

Ken Fletcher . . . pioneering efforts.

"And there could be a no more pleasing duty for me to perform before my term as president of this institute ends," he said.

Baekeland, who died in New York in 1944, developed "Velox", a revolutionary photographic paper, and after Eastman Kodak acquired his holdings in the company manufacturing the product, he continued his research work and invented bakelite — a new and vital development that became the genesis of today's plastics industry.

New technique for spanning large areas

A NEW building concept designed to slash the costs of spanning large areas is appearing in New Zealand.

Well-established in the United States and Europe, where the method is used to cover areas as large as entire sports stadiums, the system has been adapted for New Zealand conditions.

Involved is the use of specially strengthened, long-life plastics supported either by light-weight frames or by air pressure.

One New Zealand structure, over an Invercargill ice rink, covers 30,000 sq ft (2790 sq m) and is supported by a simple two horsepower motor, which is more than enough to pressurise the dome.

A second major use of the new building method was seen at the recent Auckland Easter Show where a hemispherical dome enclosed "Cinema 180", a new experience in all-action movies.

In the latter case the polyester reinforced PVC cover was supported on a light, tubular steel frame.

The technology for the material used in New Zealand, "Camlon Airflex", is basically European with the addition of a considerable amount of New Zealand expertise and experience, according to the manufacturer of Airflex, Nylex Fletcher Ltd.

Nylex manufacturers Airflex using a centre core of woven polyester fabric for dimensional stability and strength and with a coating of PVC on both sides.

The PVC is treated against ultra violet light and incorporates flame retardant and biological inhibitor properties.

"Airflex is a competely new concept in building for New Zealand," says Nylex Fletcher national sales manager Bob Hutton.

Its potential, he believes, lies particularly with frame-supported structures and especially in such uses as warehousing. In the agricultural area, it is particularly useful for structures such as hay barns and tractor sheds.

One of the greatest appeals of the system is its light-weight, providing not only low cost but also the option of portability. One of the two approved New Zealand fabricators of Airflex believes building costs can be cut by up to two thirds, compared with conventional construction methods.

Doug Potter, of Potters Supplies in Gore, has recently installed a bench nearly 40 metres long for use in major contracts involving high-frequency electronic welding of the Airflex material.

Potters Supplies fabricated the Airflex dome covering the Glace Ice Rink in Invercargill where a larger than Olympic-size ice rink is covered.

Hood New Zealand Ltd, of Auckland, with the company's experience of the intricacies of sail-making, fabricated the curved structure covering Leisure Holdings' "Cinema 180" dome, which will be used as a travelling feature at shows throughout New Zealand.

Airflex 750 grade — for small to medium structures — was used in the Easter Show dome and the heavier and stronger Airflex 950 for the Invercargill ice rink.

A life span of 10 to 15 years is expected for Airflex in New Zealand, says Hutton. European structures have stood for nearly 20 years and are "still going strong."

High frequency welding — no stitches — means the material is absolutely air and waterproof. Choice of colours can be unlimited, although care must be taken with the durability of pigments used. Nylex currently offers white (the most popular for reasons of light transmission), red, blue and yellow.

The material has been exported to Australia for use in circus tents and is ideally suited to transportable structures — temporary storage, field day structures, construction site buildings and the like. But Bob Hutton emphasises that Airflex is designed for long-term efficiency, whether covering school swimming pools, large-size warehouses or, perhaps, completely covering car yards.

Priority industry — but recycling vital, says Shearer

THE plastics industry is now of strategic importance to the New Zealand economy, Science and Technology Minister Ian Shearer maintains.

"Plastics products are firmly embedded in our total economy and there is no doubt that there is still an enormous range of future possibilities for other uses of plastics," he told delegates to the 37th Plastics Institute annual conference in Rotorua.

And Shearer maintained that the industry's contribution to the economy could be made more significant in the future with the establishment of a local plastics raw materials manufacturing industry.

Ian Shearer . . . self-sufficiency the aim.

He considered New Zealand had the capacity to become almost totally self-sufficient in plastics by utilising the valuable ethane fraction of Maui gas as the basis of a locally-produced supply of raw materials for the industry.

"New Zealand is embarking on a massive development programme over the next two decades, and one of the major areas of development will be in the energy-petro-chemical field.

"Every effort should be made by the industry to encourage the use of that ethane fraction of Maui gas to benefit both the industry and the country," he said.

This survey on the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

Shearer said such a move was of vital importance if New Zealand was successfully to achieve a large measure of self-sufficiency in petro-chemicals this decade.

And he maintained that there was a need both now and in the future development of the local plastics industry for a greater level of research and development funding so that New Zealand could remain in the forefront of current plastics technology.

Shearer told the conference that plastics must be regarded as one of the 20th century's most interesting and versatile products. The scope or their use appears to magnify at least tenfold every decade.

Most, if not all of New Zealand's meat products rely on plastics packaging for export, and in recent years considerable scientific and technological effort has gone into developing specialist plastics films for packaging foodstuffs, wrapping pallets of food and for packaging liquids.

"There is no doubt that this country can gain hundreds of millions of dollars of export dollars merely by adding value to our existing range of primary products. And adding value by attractive plastics packaging is one area worthy of far greater consideration," he said.

However, Shearer said there was a darker side to the plastics story; that was their effect on the environment — his other major portfolio.

Although the industry was aware of its responsibilities in this respect, there was considerably more that could be done in the field of plastics recycling.

Research already done by the DSIR showed that common plastics could be returned to a form which closely approximated virgin plastics, he said.

He exampled a company which, two years ago with the assistance of the DSIR, started recycling polyethylene film from industrial waste.

The recycling operation now has the capacity to recycle at least 2500 tonnes of polyethylene a year, saving the country more than $3 million a year in overseas funds.

Shearer said there were no compelling scientific reasons why other types of recycling operations could not be established.

European consumers favour plastics

EUROPEAN consumers are in general favourably disposed towards plastics, a survey commissioned by the Finnish Plastics Industries Federation has established.

According to the survey more than 50 per cent of the people who come into contact with some type of plastic consider it to be practical and durable, but also inflammable.

Yet plastics were given best marks in the survey for electrical engineering and electronics applications.

Those surveyed considered plastic is practical, hygienic and durable when used for packaging, but it also easily becomes rubbish in itself.

And in the building industry, plastic was found to be a good heat insulator, practical and easy to mould, durable and weather resistant. It also saves energy costs but it is inflammable.

In household goods and appliances, plastic is first and foremost a practical, durable, hygienic, chemically-resistant and attractive material. It is inexpensive, but it is inflammable, according to the people surveyed.

The Finnish federation says the survey established there was a poor basic knowledge of plastics generally.

Of the four main plastics, PVC was the only widely known one, according to Kari Jalas, managing director of the federation.

The use of materials such as acrylic and polyester plastics in artificial fibres was also fairly common knowledge.

However, only 1 per cent of those interviewed for the survey knew of polyethylene, or that it is used extensively in the packaging industry for plastic sheets, bags, and sacks.

Jalas said this was significant as Finns use considerable amounts of polyethylene; 25 kilos a person each year.

The survey found that the various age groups, social groups and sexes, all have a more or less the same attitude towards plastics. A typical instance of prejudice against plastics is that plastics, in general, are considered much more harmful to the environment and more inflammable, than plastics in any of their individual uses.

Plastics were considered most important in electrical engineerig and electronics, packaging, construction, household goods and appliances. In textiles and clothing, interior decoration and furniture, plastics were considered less important.

Although the manufacturing of plastics was considered to consume less energy than the production of many other raw materials, plastics were still considered to be a problem in environmental terms.

The people interviewed were especially averse to the burning of plastics. Environmental harm, disposal problems and inflammability were listed as the main drawbacks of plastic.

Most people surveyed, said Jalas, expected that the use of plastics would increase in all fields, more than that of other materials. Expectations were greatest for electrical engineering and electronics, construction, household goods and packaging.

Attitudes to the growing use of plastics in certain special applications were at best cautiously optimistic, said Jalas. The most common expectation was that plastic pipes would supersede concrete sewers, brick drains and copper water pipes.

Jalas maintained the survey had revealed serious gaps in the general knowledge of plastics. And since the use of plastic is increasing rapidly in practically all fields, a greater effort to inform and educate people about the material was imperative, he said.

"Education to correct the many misconceptions surrounding plastics wil now be our top priority", Jalas said.

Teeth for the 'Buy British' campaign

by David Churchill
(of the Financial Times)

LIFE at the top of the export ladder may be lucrative. But it is also tough. And as New Zealand export successes continue, fuelled by Government incentives and drive, protectionist voices are rising to threaten a number of our vital export markets. The Delta ear-tag case, for example, has led to further legal action against New Zealand lamb and casein "subsidies" in the United States.

Now Britain, already restricted in its acceptance of Kiwi farm produce, has introduced a 'Buy British' campaign that threatens the export of manufactured goods to that traditional 'homeland' market.

THE British Government has introduced new laws to make it compulsory for a wide range of imported goods to carry details of their country of origin.

The new laws will come into force from the beginning of next year and will apply to goods from five trade sectors — textiles, clothing, footwear, cutlery and domestic electrical appliances.

Imported goods in these product areas will either have to be stamped with their country of origin or be accompanied by a label giving this information.

The move is aimed at giving substantial backing to the "Buy British" campaigns which are traditionally launched in Britain at times of economic crisis.

The latest such campaign was launched last year by Sir Michael Edwardes for British Leyland cars. The January trade figures show that his campaign has met with some success, as Leyland car sales are up and imports of Japanese and other foreign made cars are down.

But the new laws to force overseas manufacturers to mark their goods with the country of origin has caused considerable controversy within Britain's business world.

Many British manufacturers welcome any tighter legislation covering imported goods. They feel that British consumers are being "cheated and confused" by the wide availability of foreign products which they regard as cheap substitutes for the genuine British article.

The counter-argument is that it is the right and duty of the British trader to search the world markets for raw materials, semi-finished products, components and finished products which supply the best value, choice, quality, or reliability of supply.

British consumers, however, seem not to be unduly worried. A special survey, carried out by the state-financed National Consumer Council, found that most consumers would find it useful to know the country of origin — but that few thought it of major concern.

One consumer was quoted in the survey: "Well, I would like to buy British, but not if it's going to be a bad buy. I like to be patriotic, but not if it's going to cost me money."

Another consumer said: "If you fancy something and it suits your pocket and it suits you, that's it, irrespective of where it comes from. You're still going to buy it."

Yet another said: "I wouldn't go on strike for it, but it's nice to know."

The survey also found that some consumers positively wanted country of origin information, but only so as *not* to buy British. "We've got a Japanese music centre," said one woman consulted in the survey, "and my husband wouldn't buy a British one because he thinks the Japanese are better with electronics."

Given this apparent lack of consumer concern, many manufacturers throughout the world who sell to the British market must wonder at just why the British government has introduced this new legislation.

Observers of the retail trade in the UK suggest that one of the main reasons has been the determination of Mrs Sally Oppenheim, the Minister for Consumer Affairs, to press ahead with the new laws.

Her determination, it appears, has been a mixture of professional concern for the cause of the consumer and a desire to "cool down" a raging controversy within the Sheffield-based cutlery industry.

Argument has developed over the practice of some companies of importing cutlery "blanks" from the Far East, silver-plating them in Sheffield, and then stamping "Made in Sheffield" on them. Such cutlery imports now account for about 70 per cent of the market, according to trade estimates.

The row has developed because some traditional Sheffield cutlery manufacturers who produce and plate their cutlery entirely in Sheffield — and legitimately describe their products as "Made in Sheffield" — object vigorously to foreign imports being given this still-valuable description.

Oppenheim has been drawn into the controversy mainly because she is Consumer Affairs Minister. But, ironically, she is also a native of Sheffield and a member of the Viner family, one of the major cutlery manufacturers.

Whatever she sought to do in this area, therefore, was almost certain to come in for strong criticism from the Sheffield cutlery community. But Oppenheim's officials within her ministry have come up with the solution which they hope will solve her dilemma.

Under the new rules, the country of origin for labelling purposes will be the country where the "last treatment or process resulting in a substantial change took place." In the case of imported cutlery, this will almost certainly mean that "Made in Korea" will have to be stamped on the knives and forks, since silver-plating is not considered a substantial change.

But the cutlery companies thus affected will be able, Oppenheim shrewdly points out, to add "and silver-plated in Sheffield" if they so wish.

Manufacturing

Producer board gets in on packaged liquid boom

by Warren Berryman

GOVERNMENT appears to be ready to hand over a significant slice of the booming liquid packaging industry to producer boards.

Cartoned white milk — which privately owned companies are banned from selling on the domestic market — could now be packaged on a Dairy Board-owned machine and sold nationwide under new distinctions drawn at Government level.

The Apple and Pear Board has just imported a Tetra-Pak cartoning machine to package Fresh-Up apple juice in its Wiri plant.

The New Zealand Co-operative Dairy Company Ltd is packaging four fruit drinks on the Dairy Board's Tetra-Pak machine at Takanini.

The Dairy Board has proposed a joint venture company with the town milk industry to market such products as fruit drinks, flavoured milk, and yoghurt.

The Town Milk Producers Federation voted on this joint venture last February (45 per cent voted for and 29 per cent against; 19 per cent were undecided; 7 per cent abstained).

According to federation manager Hamish Turnbull, only the tax question is delaying the joint venture. He said Government had been asked if the joint venture might be set up as a tax-free co-op (like the Dairy Board) rather than as a tax-paying company.

Turnbull said he expected the Government's answer soon. *Its approval would give the* joint venture a competitive advantage over tax-paying private competitors.

UEB Industries was first into the cartoning business with Pure Pak cartons. But for six years Government prevented UEB from selling them for flavoured milk packaging.

UEB's lead time was lost when AHI secured the Tetra-Pak agency and sold its first machine to the Dairy Board. The Dairy Board got its import licence to bring in the Tetra-Pak machine on the basis that its Zap flavoured milk would be exported. Then the Dairy Board began flooding the domestic market with Zap.

A 1979 caucus committee allowed cartons provided they did not endanger AHI's glass bottle monopoly. Trade and Industry Minister Lance Adams-Schneider said: "Any decision to allow carton packaging in New Zealand should be measured against any risks this might create for the present bottling system."

To obtain import licences for its machines, Pure Pak NZ Ltd (now owned 30 per cent by UEB and 70 per cent by J Gadsden of Australia) had to sign an assurance the machines would not be used for white milk packaging.

The Dairy Board gave assurances that its white UHT milk would not be sold on the domestic market. But the milk began turning up in Great Barrier Island.

When *National Business Review* (January 26) pointed out that Government policy was being flouted, Trade and Industry retrospectively changed the rules to allow these sales.

Under the Milk Act, white milk is milk whether UHT treated or not. Adams-Schneider now seems to be drawing a distinction between Dairy Board white milk and fresh white milk that might be packaged in Pure Pak cartons.

He recently informed Pure Pak that "the price differential between fresh and UHT white milk is deliberately aimed at *minimising the possibility of* any serious effects on the present bottling system. Conversely, there is no price differential for cartoned fresh white milk and sales of this product on the domestic market would inevitably erode the sales of bottled milk."

Adams-Schneider's department is involved in setting the price of UHT white milk — currently 96 cents a litre.

Thus Pure Pak is not allowed to compete because its low prices might endanger AHI's bottle monopoly. But the UHT milk produced on the Dairy Board's machine may compete because the price differential is "deliberately" kept higher than bottled white milk.

*Pure Pak manager Andy Car*rucan said: "As far as I'm concerned we've played according to Government policy right down the middle."

"All we ask for is the right to compete on an equal basis. It appears to us that once we began to get customers, plants, and Pure Paks on the market the ground rules earlier set out by Trade and Industry have been changed to disadvantage our company's operations and those of our customers."

The Waikato Milk Corporation is producing "Citrus Tree" fruit-flavoured drinks in Pure Pak cartons. And the Hutt Milk Corporation has gone nationwide through Woolworths with Pure Pak "Spa" fruit drinks. Four more Pure Pak machines will be introduced by the end of June.

All these fruit drink ventures are aiming for big sales next summer. It remains to be seen if private companies will be able to compete with the tax-advantaged co-ops.

The Government's original ban on cartons for white milk ostensibly was enforced to maintain the home delivery system, protect AHI's refillable bottle against disposable cartons, and maintain high milk consumption.

Despite Government protection for the AHI glass bottle *monopoly, home delivery milk* sales have fallen from 75 per cent in 1978 to a 70 per cent.

There appears to be no correlation between bottled milk and high milk consumption. Finland — which has only cartoned milk — consumes about double the milk per capita as does New Zealand.

AHI was criticised in submissions to the IDC's packaging study for its monopoly position and pricing.

Local government

Ministry's Nelson port plan may be its last

THE special projects team from the civil design office of the Ministry of Works and Development could have worked its way out of a job with its just completed 25-year forward port development plan for the Nelson Harbour Board.

Questions were asked in Cabinet when the Nelson Harbour Board sought permission for the team to prepare the plan last July.

The principal of one firm of consulting engineers sent a personal letter to Energy Minister Bill Birch questioning the propriety of the ministry's civil engineering team doing work which he said could and should be done by private enterprise.

And it was only the insistence of the Nelson Harbour Board and repeated representations to Works Minister Bill Young that finally swung approval for the ministry team to do the job.

But private enterprise could find that although it lost the battle for the Nelson Harbour Board contract, it has won the war for the preparation of future port development plans.

The Nelson plan is being hailed as the ultimate study of its type, forming a blueprint for such studies which private consultants will be able to copy and adapt for any port in the country.

Certainly Nelson Harbour Board members and executives are delighted with what they have got for their \$50,000 investment.

General manager Frank Baldwin describes it simply as the best port development study done in New Zealand, and a definitive model for any future ones.

He says that, without meaning any disrespect to private enterprise, the outcome has fully justified the harbour board's insistence on having the ministry team to do the job, and he says he is sure Works Minister Young will understand why when he has read his copy of the report.

The development plan itself is based on future projections of trade through Nelson — particularly forest products, which in terms of volume and handling requirements far outweigh anything else that could possibly come out of the area.

In working out the likely trade patterns in the range of products handled through Nelson, the study group comprising the ministry team and executive staff of the harbour board had a good base document readily available in a 1978 survey of Nelson's sea trade potential prepared by the Institute of Economic Research.

And this was updated after extensive discussions with the main producers and exporters of the Nelson region.

For the predominant forest products themselves, the long lead time from land acquisition and planting to harvesting means it is already possible to say almost exactly what quantities of wood will have to be provided for at the port even at the end of the study period in 2005.

But, the effect on the port will vary markedly, depending on how much local processing is done. To cover this, the study team has prepared an infinitely variable computer model based on 10 development scenarios, ranging from one which pre-supposes no processing at all, to one in which virtually all of Nelson's timber resource is processed locally into sawn timber, pulp, fibreboard and various combinations of these.

Baldwin says the computer model will allow the harbour board to check at any time that the provision of berths, cargo handling and particularly storage facilities are keeping pace with the requirements likely to be placed on the port.

As well as its analysis of probable future cargo trends, the study provides formulae for management decisions on such things as the economics of further dredging to cater for deeper draughted ships, whether it would be better to provide more tugs or bigger turning circles to handle such ships, and whether it would be cheaper to provide additional berths to cut ship waiting time or change to a two shift cargo *handling operation at the port.*

From these considerations the report has made recommendations about the location and possible timing of new wharves at Nelson.

What it has not done, however, is to go into the environmental acceptability of the various development options it postulates, beyond a passing reference that one of the suggested berths "will probably be objected to on environmental grounds."

Local environmentalists are concerned that port development in Nelson could follow the pattern of a series of small reclamations which could be approved by Order-in-Council and avoid the need for the full select committee study and empowering act through Parliament required for larger reclamations.

One of the development op*tions in the study would cer*tainly allow this piecemeal expansion to happen.

But the main objection is likely to be that this is purely a port development study. The Nelson Harbour Board also has control of a large area of endowment land, ecologically sensitive esturine waters and the scientifically unique Nelson boulder bank.

The environmentalists have been calling for an overall management plan which provides, where appropriate, for the protection of these areas as well as for the development of the working areas of the port.

But more attention may be paid to environmental matters in the final port development plan. At present the report is labelled as a draft for comment, and Baldwin says it has been circulating since Easter among business organisations, local bodies and environmental groups in the Nelson region for their study and comment.

These groups have been given until the end of May to make submissions on the port plan, and Baldwin says their comments will be included in the final document, either by modifying it to accommodate *points raised or in the form of* an appendix.

Manufacturing

'David and Goliath' nylon carpet row still entwined in red tape at Government level

by Warren Berryman

THE David and Goliath battle between tiny Manurewa carpet maker New Zealand Woollen Rugs Ltd and the heavyweights from the Carpet Manufacturers Association and Wool Board still rages.

Intercession by Cabinet, the Cabinet Economic Committee, Treasury, Trade and Industry, Customs, UEB Industries, Feltex and the Wool Board has brought the battle no closer to conclusion.

The Carpet Manufacturers Association and Wool Board want to stop Woollen Rugs making nylon carpet, which they claim breaches Government's wool-rich policy.

The Carpet Manufacturers Association — Woollen Rugs is not a member — has asked the Government to give legal force to its "gentleman's agreement" which bars the manufacture of nylon carpet here.

Woollen Rugs' managing director Ken Morrow, claims his company is being "victimised" by the major carpet manufacturers, who demand that his company, as an outsider, conform to their rules.

"They want us to continue buying their short ends and making rugs out of their offcuts. They have no interest in the consumer who might get a better carpet at a cheaper price," Morrow said.

Prime Minister Rob Muldoon is said to feel that the big carpet manufacturers are combining to put this small company out of buisness.

Carpet manufacturers claim the whole woollen carpet and yarn spinning industry has been jeopardised by one clerical error which the Government refuses to correct.

Trade and Industry Minister Lance Adams-Schneider, after an article appeared in *National Business Review (April 20)*, admitted that the decision to grant Woollen Rugs an import licence to bring in a carpet tufter to make nylon carpets had been an error. He has assured the Carpet Manufacturers Association that Government's wool-rich policy will be enforced.

But rather than make a decision, he has passed the matter over again to the Carpet Manufacturers Association, Trade and Industry, Customs and Treasury, after a Cabinet Economic Committee meeting two weeks ago.

Carpet manufacturers feel they are back to square one, despite weeks of lobbying the Government. The association met, rehashed old arguments, and resubmitted its old plan for putting nylon yarn back on import licence.

Meanwhile, cabinet ministers have been informed by major carpet manufacturers that Woollen Rugs has offered to sell its business to UEB and Feltex for about $3 million.

Feltex and UEB both say they had no intention of buying Woollen Rugs. They estimate the value of the company's plant at $70,000 to $100,000, point out that the industry is suffering from overcapacity and say the only reason for buying Woollen Rugs would be to stop it making nylon carpet.

They also point out that if either major company bought Woollen Rugs just to stop it producing nylon carpet, any company could start production of nylon carpet, then ask a high price to be stopped.

But Morrow told NBR he did not offer, and was not willing to sell, Woollen Rugs.

Morrow said there was some talk about compensation due to his company because it had gone ahead with its investment in nylon carpet plant with approval from Trade and Industry, and that a $3 million figure had been mentioned.

The Government's reluctance to act has left carpet industry leaders in doubt about its wool-rich policy.

Trade and Industry textiles director Dick Fraser admitted the error in granting Woollen Rugs its import licence. But Fraser stated publicly he was personally in favour of synthetic carpet manufacturers here. In a paper delivered to last November's Textile Institute conference, he criticised the cradle-to-grave regime for wool and suggested that, in the interests of consumers and the economy as a whole, consumers should be allowed to buy synthetic carpets at half the price of wool carpet, leaving more money to be invested in industries with more export potential.

This is not the first time the Carpet Manufacturers Association has called on Adams-Schneider to enforce its gentleman's agreement and Government's wool-rich policy.

Lance Adams-Schneider. . . procrastinated.

Last year Stevens-Bremner threatened to export synthetic carpet to Australia. New Zealand carpet manufacturers had worked out a sweet deal with their Australian counterparts, giving them favoured access in the Australian market for $30 million worth of carpets a year.

This deal swung on an inter-industry informal agreement that neither group would export synthetic carpets to each other's market.

Like Woollen Rugs, Stevens-Bremner was not a member of the Carpet Manufacturers Association and was not bound by the unwritten agreement.

Adams-Schneider procrastinated for some months, and the Australians began to sour on our favoured $30 million access to their market.

The Minister had his reputation on the line, because he had made the decision to grant Stevens-Bremner the sole import licence to bring in its $6 million Millitron jet-drying machine, despite strong protests from the other carpet majors, Feltex, Cavalier, and UEB.

And the Development Finance Corporation had financed the Millitron, just as it financed Woollen Rugs.

The Millitron turned to be the while elephant the carpet manufacturers predicted. The huge machine needed throughput to make it pay and Stevens-Bremner thought nylon carpet might be the answer.

Adams-Schneider made no decision, and after a long period of losses and layoffs, Steven-Bremner sold its 50 per cent New Zealand shareholding to Feltex.

The synthetic carpet threat faded until Woollen Rugs came into the picture.

The wool-rich policy in its simplest form, says all carpet made here should contain at least 80 per cent wool.

But the carpet majors which complain about Woollen Rugs make synthetic carpet themselves.

Feltex makes a polypropolyne carpet called Oasis. According to the Carpet Manufacturers Association, this is acceptable because Oasis is "artificial grass" for outdoor and wet area use only, and does not compete with wool carpet.

Woollen Rugs' Antron 3 nylon carpet, sold for use in wet areas and exported to the tropics, is not acceptable to the association because the consumer might use it to carpet his livingroom.

The majors also make carpet from rayon yarn. Rayon is all right, according to the association, because it is made from wood, a renewable resource. But the rayon used here is not made from New Zealand wood. It is imported.

Investment

'Twice as Much' adds up to $25 million extra

by Lindsey Dawson

PROMOTION of a new type of savings account at the Northern United Permanent Building Society has resulted in 25,000 new accounts representing $25 million in deposits since the beginning of April.

Response to advertising of the new "Twice as Much" savings plan had been tremendous, said Northern United's general manager of sales, Gordon Drain.

"Not all of these are new customers as such. Some have transferred their terminating share accounts over to take advantage of the Twice as Much scheme," he said.

Twice as Much account holders join a three-year savings plan. At the end of that time, the society doubles the interest which has been earned. The accounts carry 6 per cent interest calculated on a daily basis and the money is at call.

Account holders also participate in a monthly draw. The 50 winners have their accounts doubled, and there are four bonus prizes every year of $10,000.

Northern United is winning new customers through another innovation — the installation of automatic deposit and withdrawal facilities. There are six Saverpoint units — known in American parlance as consumer transaction facilities — installed at Northern United offices around Auckland. Another is being built into the society's Wellington office. They give customers 24-hour, seven-day access to their funds.

Northern United is the first banking organisation in New Zealand to provide automatic tellers.

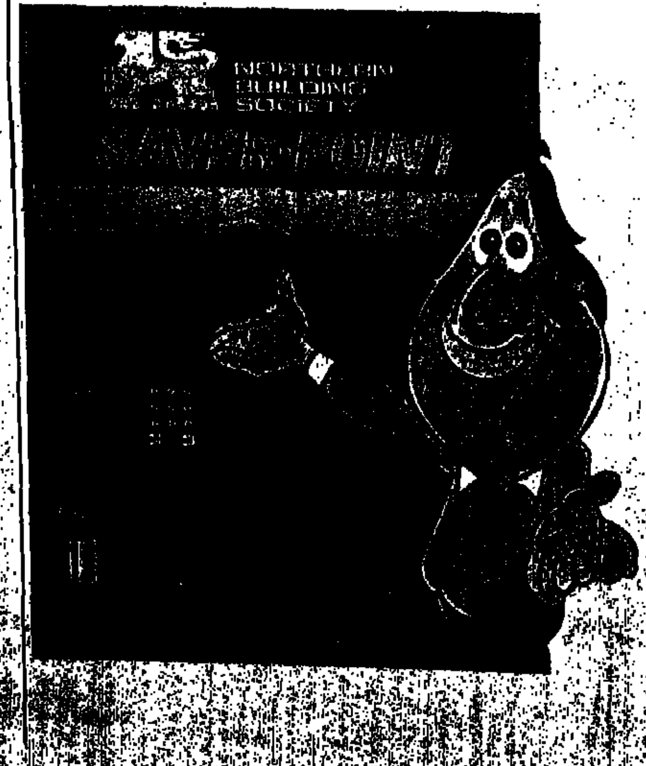
Customers have a "Savercard", much like an ordinary credit card, which is inserted into the unit along with a memorised four-digit personal identification number. Up to $200 can be withdrawn or deposited at a time.

The IBM units cost $30,000 each.

Promotions manager Donald Trott said most customers were using the units at night or weekends, but that the society was hiring hostesses to encourage people to use them during the day as well, to avoid queues at the tellers' desks and save time.

The machines hold about $3000 in cash at any time, but they are virtually impregnable to would-be thieves. "About the most anyone could do would be to damage the fascia panel, but behind that there's a two-ton safe," said Trott. There had been a small amount of vandalism but no [illegible] problems, he said.

The Saverpoint facilities are connected to the company's computer. Customers' passbooks are automatically updated to record Saverpoint transactions the next time they are presented.



'Foot in door' fears haunt carpet majors

THE Government's failure to stop New Zealand Woollen Rugs Ltd making nylon carpets by enforcing its wool-rich policy will jeopardise the whole carpet and wool spinning industries, according to the Carpet Manufacturers Association.

Woollen Rugs, a small Manurewa firm with only one 6ft carpet tufter, does not offer a big competitive threat to the carpet majors with their 12ft tufters.

But the carpet majors are concerned that a major company might follow Woollen Rugss' example.

Carpet Manufacturers Association members point out that synthetic carpet has captured 75 per cent of the Australian market. They estimate that if synthetics captured only 60 per cent of our market, our carpet exports would suffer, and 1100 jobs would be lost in the wool-spinning industry.

If synthetic carpets were exported to Australia — there is nothing but a gentleman's agreement to prevent this — then the carpet majors predict Australia would abrogate the inter-industry deal which gives us favoured access for $30 million worth of carpets a year into that market.

The carpet majors fear that George McKendrick, present owner of Godfrey Hirst, of Australia, might return to New Zealand to start making synthetic carpets.

McKendrick founded Kensington and Knightsbridge carpets which he sold to Feltex and UEB respectively.

Carpet industry leaders do not discount the possibility of one of their members starting up synthetic carpet production if the need to compete against cheaper synthetics arose. In this respect industry leaders are asking the Government to protect Carpet Manufacturers Association members.

They are also asking the Government to preserve for them a comfortable home market as a springboard to exports by blocking synthetic carpet which would market at half the price of wool carpet.

They back up this argument by pointing to the $80 million to $90 million a year export potential for woollen carpets.

Woollen carpets, made from a high priced but indigenous raw material, slot into only the top end of foreign markets.

Here, all consumers must take wool carpet or no carpet at all.

Carpet industry leaders argue that it has been a long and expensive process building up this country's expertise in woollen carpet manufacture.

They say that any diversification into synthetic carpets would weaken our forte through loss of expertise and a dilution of effort have from woollen carpet design.

None of the carpet majors feel we can make and export synthetic carpet. The British, Americans and Canadians, with their over-capacity, and huge economies of scale, are dumping synthetic carpet at prices we could not hope to match, they claim.

But Woollen Rugs is getting export orders from Hong Kong, Singapore, the Pacific Islands and Papua New Guinea. Woollen Rugs managing director Ken Morrow said his Antron 3 carpet was ideally suited for the tropics because it was water resistant and did not rot or encourage tropical fungi.

Woollen Rugs has set up four special partnerships with New Zealand Woollen Rugs Ltd acting as general partner.

Set up under the Partnerships Act of 1908, special partnerships are an amalgam of a partnership and a limited liability company.

Each partner has the sort of limited liability offered under a limited liability company as well as the tax advantages available to a sole trader or ordinary partnership.

These tax advantages mean that tax losses or advantages such as export incentives can be offset against personal income.

JBL and more recently Lemmington Holdings, have employed this devise.

NBR asked Morrow if his company would break the gentleman's agreement by exporting nylon carpet to Australia's tropical regions.

He said he had orders for bathroom sets which were allowed under the gentleman's agreement. But he would refrain from sending the prohibited roll goods — unless the carpet majors continued their campaign against his company.